University of Pennsylvania

Consolidated Financial Statements
June 30, 2026 and 2025

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Report of Independent Auditors

To the Trustees of the University of Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of the University of Pennsylvania and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities, and of cash flows for the years then ended, 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 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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 are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of

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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.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 24, 2026

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

University of Pennsylvania
(in thousands)

	JUNE 30	
	2026	2025
ASSETS		
Cash and cash equivalents	$ 3,119,140	$ 2,955,426
Accounts receivable, net	2,293,728	2,119,034
Contributions receivable, net	293,128	347,393
Loans receivable, net	43,660	47,195
Other assets	1,637,478	1,379,132
Investments, at fair value	33,829,216	26,955,834
Property, plant and equipment, net	10,680,610	10,379,421
TOTAL ASSETS	**$ 51,896,960**	**$ 44,183,435**
LIABILITIES		
Accounts payable	$ 503,468	$ 436,488
Accrued expenses and other liabilities	5,151,334	4,241,348
Deferred income	198,848	196,288
Deposits and advances	184,804	174,776
Federal student loan advances	23,572	27,978
Accrued retirement benefits	338,748	469,488
Debt obligations	5,262,331	4,737,002
TOTAL LIABILITIES	**11,663,105**	**10,283,368**
NET ASSETS		
Without donor restrictions	25,007,399	21,438,999
With donor restrictions	15,226,456	12,461,068
TOTAL NET ASSETS	**40,233,855**	**33,900,067**
TOTAL LIABILITIES AND NET ASSETS	**$ 51,896,960**	**$ 44,183,435**

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

University of Pennsylvania
for the years ended June 30, 2026 and 2025
(in thousands)

	2026	2025
WITHOUT DONOR RESTRICTIONS:		
REVENUE AND OTHER SUPPORT		
Tuition and fees, net	$ 1,481,901	$ 1,428,999
Commonwealth appropriations	36,543	36,740
Sponsored programs	1,366,074	1,403,768
Contributions and donor support	309,961	238,820
Investment income	1,351,952	1,261,899
Net patient service revenue	11,388,106	10,170,415
Other income	2,801,517	2,761,364
TOTAL REVENUE AND OTHER SUPPORT	**18,736,054**	**17,302,005**
EXPENSES		
Compensation and benefits	9,731,528	9,019,270
Depreciation and amortization	738,760	686,510
Interest on indebtedness	173,233	133,923
Other operating expenses	7,456,666	6,605,618
TOTAL EXPENSES	**18,100,187**	**16,445,321**
INCREASE IN NET ASSETS FROM OPERATIONS	**635,867**	**856,684**
NONOPERATING ACTIVITIES		
Return on investments, net of amounts classified as operating revenue	2,771,076	719,408
Transfer to net assets with donor restrictions	(152,979)	-
Pension, OPEB and other, net	268,694	107,227
Contributions and donor support for capital related activities	45,742	201,049
TOTAL NONOPERATING ACTIVITIES	**2,932,533**	**1,027,684**
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**3,568,400**	**1,884,368**
WITH DONOR RESTRICTIONS:		
Contributions	491,596	518,349
Return on investments, net	2,834,844	1,255,255
Transfer from net assets without donor restrictions	152,979	-
Net assets released from restrictions	(714,031)	(710,728)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	**2,765,388**	**1,062,876**
INCREASE IN TOTAL NET ASSETS	**6,333,788**	**2,947,244**
Total net assets, beginning of year	33,900,067	30,952,823
TOTAL NET ASSETS, END OF YEAR	**$ 40,233,855**	**$ 33,900,067**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

University of Pennsylvania
for the years ended June 30, 2026 and 2025
(in thousands)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in total net assets	$ 6,333,788	$ 2,947,244
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Depreciation and amortization	718,515	668,155
Provision for bad debts	9,076	13,938
Gain on investments, net	(6,068,388)	(2,433,541)
Loss (gain) on disposal of property, plant and equipment	23,153	(10,296)
Receipt of contributed securities	(79,806)	(57,577)
Proceeds from contributed securities	26,295	20,196
Receipt of contributions designated for the acquisition of long-lived assets and long-term investment	(302,423)	(463,452)
Pension, OPEB and other, net	(268,694)	(107,227)
Changes in operating assets and liabilities:		
Accounts and loans receivable	(181,084)	(101,348)
Contributions receivable	55,114	(599)
Other assets	(129,317)	(48,933)
Accounts payable, accrued expenses and accrued retirement benefits	157,581	136,249
Deposits and advances	8,833	(4,438)
Deferred income	2,560	2,832
NET CASH PROVIDED BY OPERATING ACTIVITIES	**305,203**	**561,203**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(17,914,256)	(10,044,709)
Proceeds from sale of investments	18,086,507	10,147,909
Cash acquired in Penn Medicine Doylestown Health (PMDH) membership substitution	-	6,301
Purchase of property, plant and equipment	(1,030,155)	(979,162)
NET CASH USED BY INVESTING ACTIVITIES	**(857,904)**	**(869,661)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions received designated for the acquisition of long-lived assets and long-term investment	302,423	311,675
Proceeds from contributed securities received designated for the acquisition of long-lived assets and long-term investment	53,345	38,067
Federal student loan repayments	(4,406)	(2,078)
Repayment of debt obligations	(753,872)	(243,399)
Proceeds from issuances of debt obligations	1,301,603	550,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	**899,093**	**654,265**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**346,392**	**345,807**
Cash and cash equivalents, beginning of year	3,102,465	2,756,658
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,448,857**	**$ 3,102,465**
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents, Consolidated Statements of Financial Position	$ 3,119,140	$ 2,955,426
Cash included in Investments, at fair value	329,717	147,039
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,448,857**	**$ 3,102,465**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	$ 166,636	$ 131,717
Increase in accrued property, plant and equipment	32,945	29,634
Operating cash flows for operating leases	117,675	108,100
Right-of-use assets obtained in exchange for lease liabilities	101,570	136,009
Assets acquired in PMDH membership substitution	-	467,806
Liabilities assumed in PMDH membership substitution	-	316,029
Contribution received in PMDH membership substitution	-	151,777

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Pennsylvania ("University"), located in Philadelphia, Pennsylvania, is an independent, nonsectarian, not-for-profit institution of higher learning founded in 1740. The University Academic Component ("Academic Component") provides educational services, primarily for students at the undergraduate, graduate, professional and postdoctoral levels and performs research, training and other services under grants, contracts and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government. The University also operates an integrated health care delivery system, the University of Pennsylvania Health System ("UPHS"). The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the University and its subsidiaries over which the University exercises control. All material transactions between the University and its subsidiaries are eliminated in consolidation. Investments in subsidiaries over which the University has the ability to exercise significant influence are reported using the equity method of accounting. Other investments in subsidiaries are reported using the measurement alternative – at cost adjusted for impairment, if any, unless an observable transaction for an identical or similar security occurs. Transactions with related parties occur in the ordinary course of the University's activities which do not have a material effect on the University's financial position. University related parties may include affiliates, trusts, and investment holdings. In addition, related parties may also include board members and senior management, their family members, and any entities with which they are associated that may do business with the University.

The net assets of the University are classified and reported as follows:

Without donor restrictions – includes net assets that are not subject to donor-imposed restrictions.

With donor restrictions – includes net assets that are (i) subject to legal or donor-imposed restrictions that will be met by actions of the University and/or the passage of time, and (ii) the original values of donor restricted net assets, the use of which is limited to investment and can only be appropriated for expenditure by the University in accordance with the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act).

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses associated with property, plant and equipment disposals are included in Other income and Other operating expenses, respectively. Gains and losses on investments are included in Return on investments, net and are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Gains or losses associated with all other activities, such as debt retirements and pension and postretirement plan actuarial valuation adjustments, are reported in Pension, other postretirement employee benefits (OPEB) and other, net. Donor-restricted resources intended for the acquisition or construction of long-lived assets are initially reported as net assets with donor restrictions and released from restrictions to net assets without donor restrictions when the asset is placed in service or in accordance with donor-specified terms. Transfers from net assets without donor restrictions to net assets with donor restrictions are primarily the result of donor redesignations or matching funds that are added to donor gift funds which then take on the same restrictions as the donor gift.

Expirations of restrictions on contributions and investment income, reported as Net assets released from restrictions, and the corresponding amounts are included in the Consolidated Statements of Activities as follows (in thousands):

NET ASSETS WITHOUT DONOR RESTRICTIONS	2026	2025
Contributions and donor support	$ 171,213	$ 171,907
Investment income	497,076	462,725
Contributions and donor support for capital related activities	45,742	76,096
NET ASSETS RELEASED FROM RESTRICTIONS	**$ 714,031**	**$ 710,728**

NET ASSETS WITH DONOR RESTRICTIONS	2026	2025
Net assets released from restrictions	$ (714,031)	$ (710,728)

Fair Value

The University values certain financial and non-financial assets and liabilities by applying the Financial Accounting Standards Board (FASB) pronouncement on Fair Value Measurements. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the University as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The University is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Consolidated Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The University's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation.

As a practical expedient, the University is permitted to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the University

expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The University holds investments in its portfolio which are generally valued based on the most current NAV. This amount represents fair value of these investments at June 30, 2026 and 2025. Investments reported at NAV, as a practical expedient, are not included within levels 1, 2, or 3 in the fair value hierarchy.

The University performs additional procedures, including due diligence reviews, on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and liquid investments available for current operations with original maturities of three months or less at the date of acquisition. Certain short-term, liquid investments that meet the definition of cash equivalents are classified within Investments, at fair value on the Consolidated Statements of Financial Position. Amounts classified within Investments, at fair value that qualify as cash equivalents or restricted cash equivalents are included with Cash and cash equivalents in the Reconciliation to Consolidated Statements of Financial Position presented in the Consolidated Statements of Cash Flows.

Investments, at Fair Value

The majority of the University's investments are held in the Associated Investments Fund (AIF). The AIF is invested in accordance with the investment policies set out by an Investment Board which has been appointed by the Trustees of the University of Pennsylvania (the Trustees). The Office of Investments is responsible for the day-to-day management of the AIF including identifying, selecting and monitoring a variety of external investment managers to implement the strategic asset allocation set forth by the Investment Board. The AIF may include marketable and not readily marketable securities that it intends to hold for an indefinite period of time. The University also holds other investments which are not invested in the AIF due to various restrictions. The majority of these investments are in highly liquid short-term and equity type investments. Changes in the fair value of investments are reported in Return on investments, net in the Consolidated Statements of Activities. The following is a summary of the investments held in the AIF by asset allocation, as well as investment risk:

Short-Term

Short-term investments include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

Public Equity

Public equity investments consist of direct holdings of public securities in managed accounts as well as mutual funds and private funds. The securities held in managed accounts, along with mutual funds, are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. Private funds are valued at NAV.

Debt

Debt investments consist of direct holdings of securities in managed accounts and private funds. Securities such as US Treasuries, held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate and sovereign bonds, also held in managed accounts, are valued

based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where inputs are unobservable as Level 3. Private funds are valued at NAV.

Absolute Return

Absolute return investments are made up of allocations to private funds. The fund managers of these private funds invest in a variety of securities, based on the strategy of the fund, which may or may not be quoted in an active market. Private funds are valued at NAV.

Private Equity

Investments in private equity are in the form of private funds. The fund managers primarily invest in investments for which there is no readily determinable market value. The fund managers may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV.

Real Assets

Investments in real assets are made up of private funds and securities in managed accounts. The fund managers of these private funds primarily invest in investments for which there is no readily determinable market value. The fund managers may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV. The securities held in managed accounts are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1.

Derivative Instruments and Other Hedging

In the normal course of business, the University uses derivative financial instruments, including futures, options, swaps, and forward currency contracts, as part of its investment activities to manage market exposures, including fluctuations in equity markets, interest rates, foreign currencies, and other investment risks. These instruments are recorded at fair value in accordance with the University's fair value policy and classified within the appropriate level of the fair value hierarchy. The University may enter into derivative instruments directly or through external investment managers acting on the University's behalf. In addition, certain investment funds and limited partnerships in which the University invests may use derivative instruments; those fund interests are valued and presented in accordance with the University's investment valuation policies. Derivatives expose the University to foreign exchange, equity price, and counterparty risks, which could result in partial or total investment losses if market conditions change or counterparties fail to meet contractual obligations.

The University may engage in short sales, primarily to hedge portfolio positions. Liabilities related to short positions are reported in Accrued expenses and other liabilities on the Consolidated Statements of Financial Position and are measured at fair value using observable market data. These liabilities are categorized as Level 1 within the fair value hierarchy. Cash and securities pledged as collateral for short positions continue to be reported within Investments, at fair value on the Consolidated Statements of Financial Position.

To mitigate the above counterparty risk, the University fully requires collateral practicable under normal trading practices. Collateral, typically cash or U.S. Treasury securities, is adjusted daily to reflect market value fluctuations. In connection with its investments in derivatives, the University maintains International Swaps and Derivatives Association (ISDA) Master Netting agreements and collateral agreements with its counterparties. These agreements provide the University with legally enforceable rights to offset amounts due with counterparties and to liquidate pledged collateral in the event of default.

Investment Risks

The University's investing activities expose it to a variety of risks including market, credit and liquidity risks. The University attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the University's investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities.

Endowment

The University's endowment consists of 8,151 donor-restricted endowment funds and 1,022 quasi-endowment funds established by management for a variety of purposes. The University reports all endowment investments at fair value. Most of the endowment funds of the University have been pooled in the University's AIF. The endowment funds not pooled in the AIF are primarily invested in equities and bonds.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Act governs the investment, use and management of the University's endowment funds.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, the University classifies the following as net assets with donor restrictions for reporting purposes: (i) the original value of donated assets required to be invested in perpetuity; (ii) the original value of subsequent donated assets required to be invested in perpetuity; (iii) accumulations to the donated assets invested in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and (iv) donated assets and accumulations that are subject to legal or donor-imposed restrictions that will be met by actions of the University and/or the passage of time. The Pennsylvania Act allows nonprofits to elect to appropriate for expenditure between 2% and 7% of the endowment fair value, determined at least annually and averaged over a period of three or more preceding years, including funds whose fair value is less than the original donated value.

In accordance with the Pennsylvania Act, the University has elected to adopt and follow an investment policy seeking a total return for the investments held by the AIF, whether the return is derived from appreciation of capital or earnings and distributions with respect to capital or both. The endowment spending policy which the Board of Trustees has elected to govern the expenditure of funds invested in the AIF, including funds whose fair value is less than the original donated value, is designed to manage annual spending levels and is independent of the cash yield and appreciation of investments for the year. For fiscal year 2026, the spending rule payout is based on the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the AIF, lagged one year, multiplied by a 6% target spending rate for undergraduate financial aid

endowment funds and a 5% target spending rate for all other funds. The payout or allocation to operations exceeded actual income, net of expenses, by $1,192,806,000 and $1,124,209,000 in 2026 and 2025, respectively.

Property, Plant and Equipment

Property, plant and equipment (PPE) is reported net of related depreciation. Donated PPE is reported based on estimated fair value at the date of acquisition. All other PPE is reported at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, or the shorter of the lease term or estimated useful life for leased assets. Contributions of library materials, as well as rare books and other collectibles, are not recorded for financial statement presentation, while purchases are recorded as Other operating expenses on the Consolidated Statement of Activities in the period acquired.

Split-Interest Agreements

The University's split-interest agreements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts and charitable lead trusts. Assets are invested and payments are distributed to donors and/or other beneficiaries in accordance with the respective agreements.

The University recognizes assets contributed to charitable remainder trusts, charitable gift annuities and pooled income funds, where it serves as trustee, at fair value, recognizes a liability to the beneficiaries based on the present value of the estimated future payments to beneficiaries to be made over the estimated remaining life of those beneficiaries using current market rates at the date of the contribution, and recognizes the difference as contribution revenue. Subsequently, the trust assets, invested in equity and debt securities, are measured at fair value at quoted market prices, and are categorized as Level 1, with the changes reported as an adjustment to Investments, at fair value on the Consolidated Statements of Financial Position and Return on investments, net on the Consolidated Statements of Activities. Liabilities to beneficiaries are revalued based on current market rates, and are categorized as Level 2, with the changes reported as an adjustment to Accrued expenses and other liabilities on the Consolidated Statements of Financial Position and Return on investments, net on the Consolidated Statements of Activities.

Charitable remainder trust assets, where the University does not serve as trustee, are initially valued using the current fair value of the underlying assets, using observable market inputs based on its beneficial interest in the trust, discounted to a single present value using current market rates at the date of the contribution. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the Consolidated Statements of Financial Position and Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Financial Position and Return on investments, net on the Consolidated Statements of Activities. The primary unobservable input used in the fair value measurement of the charitable remainder trust assets is the discount rate.

Perpetual trust assets are initially valued at the current fair value of the underlying assets using observable market inputs based on its beneficial interest in the trust. The initially contributed assets are categorized as Level 3 and are reported as Investments, at fair value on the Consolidated Statements of Financial Position and as Contributions on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Financial Position and Return on investments, net on the Consolidated Statements of Activities. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the trust.

The University reports charitable lead trust assets by discounting future cash flows using current market rates at the measurement date, matched to the payment period of the agreement. The initially contributed assets are categorized

as Level 3, and reported as Investments, at fair value on the Consolidated Statements of Financial Position and as Contributions on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Financial Position and Return on investments, net on the Consolidated Statements of Activities. The primary unobservable input used in the fair value measurement of the charitable lead trust assets is the discount rate.

Income Taxes

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Most of its activities and income are related to its exempt purposes and are exempt from federal and state income taxes. None of its activities and income is subject to Pennsylvania income tax. Unrelated business taxable income is subject to federal "Unrelated Business Income Tax" and can be subject to City of Philadelphia Business Income and Receipts Tax.

The Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, impacts the University in several ways, including the addition of excise taxes on excess tax-exempt organization executive compensation ("executive compensation excise tax") and net investment income ("endowment excise tax"), as well as new rules for calculating unrelated business taxable income. The University records an estimate for related tax expense based on currently available regulatory guidance of the Act. Additionally, the University has made provisions for deferred taxes, representing future excise tax payable on unrealized gains in excess of the tax basis of investments. As of June 30, 2026 and 2025, the University has recorded deferred tax liabilities of $366,550,000 and $99,049,000, respectively, and current tax liabilities of $79,247,000 and $19,182,000, respectively, in Accrued expenses and other liabilities on the Consolidated Statements of Financial Position and Return on investments, net of amounts classified as operating revenue on the Consolidated Statements of Activities.

The One Big Beautiful Bill Act ("OBBBA"), enacted on July 4, 2025, expands these provisions by applying the 21% executive compensation excise tax to all current or former employees earning over $1,000,000 in remuneration and by imposing a tiered excise tax of 1.4% to 8% on net investment income, based on the University's endowment-to-student ratio.

The University regularly evaluates its tax position and does not believe it has any uncertain tax positions that require disclosure or adjustment to the consolidated financial statements.

Tuition and Fees

Tuition and fees includes tuition, room and board, and other student fees which are recognized as revenue over time during the fiscal year in which the related academic services are rendered. Tuition and fees received in advance of services to be rendered are reported as Deferred income on the Consolidated Statements of Financial Position. The University maintains a policy of offering qualified undergraduate applicants admission to the University without regard to financial circumstance, as well as meeting in full the demonstrated financial need of those admitted. Tuition and fees have been reduced by certain grants and scholarships in the amount of $493,542,000 and $461,578,000 in 2026 and 2025, respectively.

Sponsored Programs

Sponsored programs includes revenue from exchange and conditional non-exchange agreements with governments, foundations and private sources, generally for research activities. Revenue from exchange agreements is generally recognized at a point in time when performance obligations are met, and revenue from conditional non-exchange agreements is generally recognized as the related costs are incurred. Non-exchange agreements are considered conditional if the terms of the agreement include both a right of return/release of assets received/promised and a

barrier. These agreements become unconditional as barriers are met. At June 30, 2026, the University has unrecorded conditional agreements of $2,303,227,000. In 2026 and 2025, sponsored programs revenue earned from governmental sources totaled $1,058,513,000 and $1,112,292,000, respectively. Indirect costs recovered on federally-sponsored programs are generally based on predetermined reimbursement rates which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rates with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Contributions

Contributions are revenues from unconditional non-exchange agreements with private sources and foundations. Contributions are recognized in the period received and reported as increases in the appropriate net asset category based on the presence or absence of donor-imposed restrictions. Non-exchange agreements are considered conditional if the terms of the agreement include both a right of return/release of assets received/promised and a barrier. These agreements become unconditional as barriers are met. Contributions and donor support without donor restrictions also include net assets released as a result of corresponding expenditures which met donor-imposed restrictions. Contributions designated for the acquisition of long-lived assets and long-term investment are reported in Nonoperating activities.

The University reports unconditional pledges at fair value by discounting future cash flows using current market rates at the measurement date, ranging from 4.47% to 5.24%, matched to the payment period of the agreement, and accordingly categorizes these assets as Level 3. The primary unobservable input used in the fair value measurement of the University's Contributions receivable is the discount rate. Changes in the fair value of the University's Contributions receivable due to fluctuations in the discount rate are reported as Contribution revenue on the Consolidated Statements of Activities.

Net Patient Service Revenue

Net patient service revenue is derived from contracts with patients of UPHS in which its performance obligation is to provide health care services. Net patient service revenue is recorded over time during the period these performance obligations are satisfied and at the determined transaction price, which represents the estimated net realizable amounts due from patients, third-party payers and others for health care services rendered. Estimated net realizable amounts represent amounts due, net of implicit and explicit price concessions. Implicit price concessions are based on management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. After satisfaction of amounts due from insurance and reasonable efforts to collect from patients have been exhausted, UPHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by UPHS. Patient receivables are written off after collection efforts have been followed in accordance with UPHS' policy. Certain revenue received from third-party payers is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in operations currently.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Pronouncements

Periodically, the FASB issues updates to the Accounting Standards Codification (ASC) which impacts the University's financial reporting and related disclosures. The paragraph that follows summarizes a relevant update.

In December 2023, the FASB issued a standard entitled ASU 2023-09 Improvements to Income Tax Disclosures, which expands required disclosures related to the effective tax rate reconciliation and income taxes paid. This standard is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The University is currently evaluating the impact of this standard on its consolidated financial statements.

2. UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM - SUMMARIZED FINANCIAL AND RELATED INFORMATION

The Trustees formed Penn Medicine, the governance structure which oversees the activities of UPHS and the University of Pennsylvania Perelman School of Medicine (PSOM) in order to operate, oversee and coordinate its academic, research and clinical missions.

UPHS is comprised of the following operating entities: Clinical Practices of the University of Pennsylvania; Clinical Care Associates; Hospital of the University of Pennsylvania; Penn Presbyterian Medical Center; Pennsylvania Hospital of the University of Pennsylvania Health System; Chester County Hospital and Health System; Lancaster General Health (LGH); Princeton HealthCare System (PHCS); Penn Medicine Doylestown Health (PMDH); Wissahickon Hospice of the University of Pennsylvania Health System; Franklin Casualty Insurance Company, a wholly owned Risk Retention Group; and Quaker Insurance Company Ltd., a wholly owned offshore captive insurance company (collectively referred to as RRG/Captive).

Throughout the year, certain transactions (primarily billings for allocations of common costs, physicians' salaries and benefits, certain purchased services and support for PSOM) are conducted between UPHS and the University. Nonoperating, net, as shown below, includes transfers from UPHS to the University of $239,719,000 and $429,836,000 in 2026 and 2025, respectively, to further the research and educational activities of PSOM. Transfers of fixed assets to the University totaled $60,362,000 and $279,076,000 in 2026 and 2025, respectively.

The effect of all these transactions is included in the following summarized financial information of UPHS as of and for the years ended June 30, 2026 and 2025 (in thousands):

	2026	2025
Net patient service revenue	$ 11,431,960	$ 10,204,994
Other revenue and support	2,209,734	1,790,620
Total expenses	(13,304,817)	(11,748,880)
Excess of revenue over expenses from operations	336,877	246,734
Nonoperating, net	1,382,648	439,959
INCREASE IN NET ASSETS	**$ 1,719,525**	**$ 686,693**
Total current assets	$ 3,430,121	$ 2,947,979
Assets whose use is limited:		
Held by trustees	248,104	233,967
RRG/ Captive	247,798	226,557
Donor restricted and other	1,140,900	969,503
Designated	5,864,755	4,656,777
Property and equipment, net	6,108,480	5,923,950
Investments and other assets	1,054,326	1,079,564
TOTAL ASSETS	**$ 18,094,484**	**$ 16,038,297**
Total current liabilities	$ 1,997,891	$ 1,750,520
Long-term debt, net of current portion	2,633,887	2,470,601
Other liabilities	1,722,909	1,796,904
TOTAL LIABILITIES	**$ 6,354,687**	**$ 6,018,025**
Net assets		
Without donor restrictions	$ 10,588,686	$ 9,038,446
With donor restrictions	1,151,111	981,826
TOTAL NET ASSETS	**$ 11,739,797**	**$ 10,020,272**
TOTAL LIABILITIES AND NET ASSETS	**$ 18,094,484**	**$ 16,038,297**

Doylestown HealthCare System

On April 1, 2025, the Trustees of the University of Pennsylvania and Doylestown Health entered into an affiliation agreement with Doylestown Health Foundation (the "Foundation"), Doylestown Hospital (the "Hospital"), and Village of Improvement Association of Doylestown d/b/a Doylestown Health Physicians ("DH Physicians" and, together with the Foundation and the Hospital, "Doylestown Health"), pursuant to which Doylestown Health became a clinical component of Penn Medicine through a member substitution in which the University became the sole member of the Hospital, and the Hospital became the sole member of the Foundation and DH Physicians.

No consideration was exchanged for the net assets contributed, and acquisition costs are expensed as incurred. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions (ASC 958), UPHS recorded non-operating contribution income of $124,952,000 in fiscal year 2025, reflecting the fair value of the contributed unrestricted net assets of Doylestown Health on April 1, 2025. Restricted contribution income of $26,825,000 was recorded in Net Assets with donor restrictions.

Total fair value of assets, liabilities, and net assets contributed by Doylestown Health and its subsidiaries at April 1, 2025 were as follows (in thousands):

Cash and cash equivalents	$	6,301
Patient receivables, net		59,189
Third party payer receivables		1,675
Assets whose use is limited		98,689
Investments		28,035
Property and equipment, net		193,689
Other assets		80,228
TOTAL ASSETS ACQUIRED	**$**	**467,806**
Accounts payable and accrued expenses	$	76,041
Total long-term debt		174,814
Other liabilities		59,724
Pension & post retirement liability		5,450
TOTAL LIABILITIES ASSUMED	**$**	**316,029**
Net assets		
Without donor restrictions	$	124,952
With donor restrictions		26,825
TOTAL NET ASSETS	**$**	**151,777**
TOTAL LIABILITIES AND NET ASSETS	**$**	**467,806**

A summary of the pro-forma financial results of UPHS and PMDH for the year ended June 30, 2025, as if the affiliation had occurred on July 1, 2024, is as follows (unaudited, in thousands):

		2025
Total operating revenues	$	12,331,967
Total operating expenses		12,112,044
OPERATING INCOME	**$**	**219,923**
Nonoperating activity, net		356,397
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**$**	**576,320**

Net Patient Service Revenue

Net Patient Service Revenue (NPSR) for the years ended June 30, 2026 and 2025 is derived from the following payers:

	2026	**2025**
Medicare (including Managed Medicare)	36%	35%
Medicaid (including Managed Medicaid)	11%	12%
Managed care	41%	41%
Independence Blue Cross (IBC)	8%	9%
Commercial	3%	2%
Self pay	1%	1%
	100%	100%

Third-party payers

UPHS has agreements with the following third-party payers that provide for payments at amounts that differ from its established rates:

Medicare and Medicaid

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. UPHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by each hospital and audits thereof by the Medicare fiscal intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Additional amounts are allocated to each hospital for training residents and serving a disproportionate indigent population.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Independence Blue Cross (IBC) and Commercial

Under the agreement between UPHS and IBC, payments made for inpatient services provided to IBC traditional and managed care subscribers are affected on a per case rate basis for most services. Payment for outpatient services is principally based upon negotiated fee schedules. Hospital and physician rates also provide for annual inflationary increases. In addition, incentives are paid for high performance with regard to clinical outcomes and patient quality. On September 10, 2021, this agreement was extended from June 30, 2022 to June 30, 2025. A new rate amendment was executed to enact another three year extension of the agreement beginning July 1, 2025 through June 30, 2028.

The current agreement between UPHS and Aetna, which includes both Medicare Advantage and Commercial lines of Aetna businesses, has been updated to include PMDH and extended through July 31, 2030.

UPHS also has reimbursement agreements with other commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

Charity Care

UPHS provides services to patients who meet certain criteria under its charity care policy without charge or at amounts less than UPHS' established rates. Because UPHS does not pursue collections for these patients, such amounts have been excluded from NPSR. UPHS estimates the costs of providing charity care services based on data derived from a combination of UPHS' cost accounting system and the ratio of costs to charges. UPHS estimated $68,148,000 and $63,785,000 was incurred as a result of providing services to charity patients for the years ended June 30, 2026 and 2025, respectively.

Medical Professional Liability Claims

The University is insured for medical professional liability claims through the combination of the Medical Care Availability and Reduction of Error Fund (Mcare), various commercial insurance companies and risk retention programs.

Mcare levies health care provider surcharges, as a percentage of the Pennsylvania Joint Underwriters Association rates for basic coverage, to pay claims and pay administrative expenses of Mcare participants. These surcharges are recognized as expenses in the period incurred. Mcare operates on a pay-as-you-go basis and no provision has been made for any future Mcare assessments in the accompanying financial statements, as the University's portion of the unfunded Mcare liability cannot be estimated.

Anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities are presented separately on the Consolidated Statements of Financial Position in Accounts receivable, net and Accrued expenses and other liabilities, respectively. The University accrues for estimated risks arising from both asserted and unasserted medical professional liability claims. The estimate of the gross liability and corresponding receivable for unasserted claims arising from unreported incidents is based on analysis of historical claims data by an independent actuary, which is recorded utilizing a discount rate of 3.25% and 2.25% as of June 30, 2026 and 2025, respectively. The gross liability recorded under this program is $920,979,000 and $856,770,000 at June 30, 2026 and 2025, respectively, with a corresponding receivable of $204,509,000 and $204,355,000 at June 30, 2026 and 2025, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable are reported at their net realizable value. The major components of receivables, net of expected credit losses of $38,012,000 and $49,629,000 at June 30, 2026 and 2025, respectively, are as follows (in thousands):

	2026	2025
Patient	$ 1,443,432	$ 1,352,514
Intellectual property	49,356	49,899
Sponsored research	196,985	191,151
Malpractice	204,509	204,355
Trade	63,398	66,481
Student	30,330	30,599
Other	305,718	224,035
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 2,293,728**	**$ 2,119,034**

4. LOANS RECEIVABLE

Loans receivable, and related allowances for expected credit losses, consist of the following at June 30, 2026 and 2025 (in thousands):

2026

	Receivable	Allowance	Net
Student Loans:			
Federally-sponsored	$ 21,302		$ 21,302
Other	9,557	$ 2,562	6,995
Total Student loans	$ 30,859	$ 2,562	$ 28,297
Other	15,944	581	15,363
TOTAL	**$ 46,803**	**$ 3,143**	**$ 43,660**

2025

	Receivable	Allowance	Net
Student Loans:			
Federally-sponsored	$ 23,763		$ 23,763
Other	10,181	$ 2,716	7,465
Total Student loans	$ 33,944	$ 2,716	$ 31,228
Other	16,561	594	15,967
TOTAL	**$ 50,505**	**$ 3,310**	**$ 47,195**

Loans receivable primarily consists of student loans. Student loans include federally-sponsored student loans and donor-restricted student loans with mandated interest rates and repayment terms. The federally-sponsored student loans represent amounts due from current and former students under various Federal Government funded loan programs offered to graduate and undergraduate students. Loans disbursed under these programs are able to be assigned to the Federal Government upon default by the borrower; therefore, no related allowance is considered necessary. Funding received under these programs is ultimately refundable to the Federal Government in the event the University no longer participates and accordingly is reported as a liability in Federal student loan advances in the Consolidated Statements of Financial Position. Determination of the fair value of student loans receivable is not practicable.

Loans receivable are reported at their net realizable value. The University regularly assesses the adequacy of the allowances for expected credit losses of its loans by performing ongoing evaluations, including such factors as aging, differing economic risks associated with each loan category, financial condition of specific borrowers, economic environment in which the borrowers operate, level of delinquent loans, value of collateral and existence of guarantees or indemnifications.

5. CONTRIBUTIONS RECEIVABLE

A summary of contributions receivable at June 30, 2026 and 2025, is as follows (in thousands):

	2026	2025
Unconditional promises expected to be collected in:		
Less than one year	$ 107,774	$ 109,390
One year to five years	116,654	155,787
Over five years	208,225	218,177
	432,653	483,354
Less: Discount	(100,715)	(95,183)
Less: Allowances for doubtful amounts	(38,810)	(40,778)
TOTAL CONTRIBUTIONS RECEIVABLE, NET	**$ 293,128**	**$ 347,393**

At June 30, 2026 and 2025, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of $687,030,000 and $527,951,000, respectively. When conditional promises to give become unconditional or non-legally binding bequests cash payments are received, they are recorded and are generally restricted for operations, endowment and capital projects as stipulated by the donors.

6. INVESTMENTS, AT FAIR VALUE

A summary of investments, including the AIF, as of June 30, 2026 and 2025, categorized in accordance with the fair value hierarchy, is as follows (in thousands):

2026	Level 1	Level 2	Level 3	Investments at NAV	Total
Short-term	$ 1,543,440				$ 1,543,440
Public equity	518,300			$ 5,678,269	6,196,569
Debt:					
US treasuries	1,611,415	$ 3,000			1,614,415
Corporate bonds	43,720	15,930			59,650
Total Debt	1,655,135	18,930			1,674,065
Split-interest agreements	111,765		$ 490,253		602,018
Absolute return				7,289,127	7,289,127
Real assets	72	59		3,168,289	3,168,420
Private equity			30,593	13,314,626	13,345,219
Derivative instruments	7,777	174			7,951
Other			2,407		2,407
TOTAL INVESTMENTS, AT FAIR VALUE	**$ 3,836,489**	**$ 19,163**	**$ 523,253**	**$ 29,450,311**	**$ 33,829,216**

2025	Level 1	Level 2	Level 3	Investments at NAV	Total
Short-term	$ 1,335,029				$ 1,335,029
Public equity	1,124,160			$ 4,832,399	5,956,559
Debt:					
US treasuries	1,132,248	$ 3,654			1,135,902
Corporate bonds	67,376	14,580			81,956
Total Debt	1,199,624	18,234			1,217,858
Split-interest agreements	100,062		$ 444,608		544,670
Absolute return				5,288,194	5,288,194
Real assets	68	59		2,865,037	2,865,164
Private equity			33,630	9,700,798	9,734,428
Derivative instruments		11,356			11,356
Other			2,576		2,576
TOTAL INVESTMENTS, AT FAIR VALUE	**$ 3,758,943**	**$ 29,649**	**$ 480,814**	**$ 22,686,428**	**$ 26,955,834**

Included in Short-term investments is $30,928,000 and $34,077,000 of amounts held by trustees under indenture and escrow agreements at June 30, 2026 and 2025, respectively.

At June 30, 2026 and 2025, Short-term investments include $78,658,000 and $38,366,000, respectively, of outstanding receivables from trading activities. At June 30, 2026 and 2025, Short-term investments also include $40,023,000 and $30,876,000, respectively, of outstanding payables from trading activities.

Liabilities related to short positions are $1,005,355,000 and $579,403,000 as of June 30, 2026 and 2025, respectively, and are reported in Accrued expenses and other liabilities on the Consolidated Statements of Financial Position. Included in Short-term investments are $1,339,285,000 and $787,674,000 of amounts pledged as collateral related to short positions as of June 30, 2026 and 2025, respectively.

Split-interest agreement investments included in Level 1 above are readily marketable assets invested by the University separately from the AIF where the University serves as trustee. These amounts include assets related to charitable gift annuities totaling $54,059,000 and $50,540,000 at June 30, 2026 and 2025, respectively. Included in these split-interest agreement investments are amounts held to meet legally mandated annuity reserves of $24,447,000 and $26,417,000 as of June 30, 2026 and 2025, respectively, as required by the laws of the following states where certain individual donors reside: California, Maryland, New Jersey and New York. Level 3 split-interest agreement investments are managed and invested outside of the University by external trustees.

A summary of Level 3 assets included in split-interest agreement investments, where the University is not trustee, measured at fair value, as of June 30, 2026 and 2025 is as follows (in thousands):

	2026	2025
Charitable remainder trusts	$ 24,691	$ 17,460
Charitable lead trusts	2,581	2,900
Perpetual trusts	462,981	424,248
TOTAL	**$ 490,253**	**$ 444,608**

Changes to the reported amounts of split-interest agreement investments measured at fair value using unobservable (Level 3) inputs as of June 30, 2026 and 2025 are as follows (in thousands):

2026	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2025	$ 17,460	$ 2,900	$ 424,248	$ 444,608
Net realized gains (losses)			8,910	8,910
Net unrealized gains (losses)	1,171	(319)	28,203	29,055
Acquisitions	6,060		1,620	7,680
June 30, 2026	**$ 24,691**	**$ 2,581**	**$ 462,981**	**$ 490,253**

2025	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2024	$ 16,900	$ 3,058	$ 382,765	$ 402,723
Net realized gains (losses)			3,276	3,276
Net unrealized gains (losses)	(176)	(158)	26,282	25,948
Acquisitions	736		11,922	12,658
Liquidations			3	3
June 30, 2025	**$ 17,460**	**$ 2,900**	**$ 424,248**	**$ 444,608**

The following tables set forth the fair value, related gains (losses) and notional amounts of the University's derivative instruments by contract type as of June 30, 2026 and 2025 (in thousands):

2026	Notional Amount	Gross Derivative Assets	Gross Derivative Liabilities	Derivative Gains (Losses)
Foreign currency contracts	$ 440,598		$ 12,047	$ (50,329)
Swaps	30,166	$ 155		48,807
Futures contracts	48,122	5,071		
Options contracts	300,345	2,725	166	1,307
TOTAL	**$ 819,231**	**$ 7,951**	**$ 12,213**	**$ (215)**

2025	Notional Amount	Gross Derivative Assets	Gross Derivative Liabilities	Derivative Gains (Losses)
Foreign currency contracts	$ 332,129	$ 9,446	$ 91	$ 23,622
Swaps	(11,068)	392		(7,239)
Options contracts	151,650	1,518	45	(2,349)
TOTAL	**$ 472,711**	**$ 11,356**	**$ 136**	**$ 14,034**

The notional amount is representative of the volume and activity of the respective derivative type during the years ended June 30, 2026 and 2025.

Gross derivative assets and liabilities are shown on the Consolidated Statements of Financial Position in Investments, at fair value and Accrued expenses and other liabilities, respectively. Derivative gains (losses) are shown in Return on investments, net on the Consolidated Statements of Activities, in the appropriate net asset classification. Included in Short-term investments are $107,955,000 and $33,269,000 of amounts pledged as collateral related to derivatives as of June 30, 2026 and 2025, respectively.

Details on the fair value, remaining estimated life, outstanding commitments, current redemption terms and restrictions by strategy and type of investment (excluding Split-interest agreements, Derivative instruments, and Other investments) are provided below (in thousands):

	Fair Value at June 30,		Outstanding	Redemption	Redemption
Strategy	**2026**	**2025**	**Commitments**	**Terms**	**Restrictions**
Short-term	$ 1,543,440	$ 1,335,029		Daily	None
Public equity:					
Managed accounts	200,023	830,944		Daily and semi-annually with varying notice periods	None
Mutual funds	318,277	293,217		Daily	None
Private funds (1)	5,678,269	4,832,398	$ 52,611	Weekly to annually with varying notice periods	Lock-up provisions ranging from 0 to 5 years and side pocket investments (2)
Total Public equity	**6,196,569**	**5,956,559**	**52,611**		
Debt:					
Managed accounts	1,674,065	1,217,858		Daily	None
Total Debt	**1,674,065**	**1,217,858**			
Absolute return	7,289,127	5,288,194	823,361	Range from monthly to annually and close-ended funds not available for redemption	Lock-up provisions ranging from 0 to 5 years with earlier redemptions subject to redemption fee, close-ended funds not available for redemption, and side pocket investments (2)
Private equity	13,345,219	9,734,428	3,178,305	Close-ended funds not available for redemption	Close-ended funds not available for redemption
Real assets:					
Private funds (1)	3,168,420	2,865,164	1,363,030	Close-ended funds not available for redemption	Close-ended funds not available for redemption
TOTAL	**$ 33,216,840**	**$ 26,397,232**	**$ 5,417,307**		

(1) Private funds consist of close-ended and open-ended funds generally in the form of limited partnerships. Close-ended funds have varying remaining fund terms between 1 to 15 years.

(2) Side pocket investments represent investments designated by a manager that are not available for liquidity in an otherwise liquid fund vehicle.

Invested in the AIF with an aggregate fair value of $283,062,000 and $232,987,000 at June 30, 2026 and 2025, respectively, is a perpetual trust managed by an external trustee who has delegated investment decisions to the University. The University invests the assets of this trust in accordance with its endowment policy.

The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. The University has also made commitments to various limited partnerships. The University expects these funds to be called over the next 5 years. The total amount of unfunded commitments is $5,417,307,000 which represents 17.1% of the AIF value as of June 30, 2026.

A summary of the University's total investment return, net of external and direct internal investment expenses, for the years ended June 30, 2026 and 2025 is presented below (in thousands):

	2026	2025
AIF investment income	$ 184,972	$ 152,385
AIF realized and unrealized gains (losses)	6,397,320	2,472,150
Total return on AIF	6,582,292	2,624,535
Other investment gains (losses)	(121,496)	149,303
TOTAL RETURN ON INVESTMENTS, NET	**$ 6,460,796**	**$ 2,773,838**

7. ENDOWMENT

The composition and changes to the amount of the University's endowment at June 30, 2026 are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		$ 13,917,032	$ 13,917,032
Quasi-endowment funds	$ 17,187,186		17,187,186
JUNE 30, 2026	**$ 17,187,186**	**$ 13,917,032**	**$ 31,104,218**

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2025	$ 13,520,958	$ 11,287,070	$ 24,808,028
Investment return	3,679,244	2,903,604	6,582,848
New gifts	24,538	250,912	275,450
Allocation of endowment assets for expenditure	(1,192,806)		(1,192,806)
Other investment allocation	(10,094)		(10,094)
Transfers to create board designated funds	631,814	(198)	631,616
Donor-imposed income reinvestments		13,208	13,208
Other transfers	19,625	(23,657)	(4,032)
Released from restriction	513,907	(513,907)	-
NET ASSETS, JUNE 30, 2026	**$ 17,187,186**	**$ 13,917,032**	**$ 31,104,218**

The composition and changes to the amount of the University's endowment at June 30, 2025 are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		$ 11,287,070	$ 11,287,070
Quasi-endowment funds	$ 13,520,958		13,520,958
JUNE 30, 2025	**$ 13,520,958**	**$ 11,287,070**	**$ 24,808,028**

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2024	$ 12,002,324	$ 10,345,624	$ 22,347,948
Investment return	1,424,465	1,194,423	2,618,888
New gifts	2,228	204,516	206,744
Allocation of endowment assets for expenditure	(1,124,209)		(1,124,209)
Other investment allocation	(9,371)		(9,371)
Transfers to create board designated funds	699,864		699,864
Donor-imposed income reinvestments		43,878	43,878
Other transfers	52,631	(28,345)	24,286
Released from restriction	473,026	(473,026)	-
NET ASSETS, JUNE 30, 2025	**$ 13,520,958**	**$ 11,287,070**	**$ 24,808,028**

At June 30, 2026 and 2025, the aggregate amount of funds reported in Net assets with donor restrictions for which the fair value was below historic value was $0 and $107,000, respectively.

8. PROPERTY, PLANT AND EQUIPMENT, NET

The components of PPE at June 30, 2026 and 2025 are as follows (in thousands):

	Estimated Useful Life in years	2026	2025
Land and land improvements	N/A to 20	$ 476,075	$ 468,246
Buildings and fixed equipment	5 to 50	15,799,406	15,422,188
Moveable equipment and other	4 to 20	2,830,310	2,705,849
Construction-in-progress		1,082,347	760,649
		20,188,138	19,356,932
Less: Accumulated depreciation		(9,507,528)	(8,977,511)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		**$ 10,680,610**	**$ 10,379,421**

The University recorded $738,760,000 and $686,510,000 of depreciation expense for the years ended June 30, 2026 and 2025, respectively.

The University capitalized $23,465,000 and $23,665,000 of interest costs for the years ended June 30, 2026 and 2025, respectively.

9. SPLIT-INTEREST AGREEMENTS

Changes in the value of assets, liabilities and net assets pursuant to split-interest agreements as of June 30, 2026 and 2025 are as follows (in thousands):

2026	Assets	Liabilities	Net Assets
June 30, 2025	$ 544,670	$ (45,541)	$ 499,129
New contributions	15,036	(5,907)	9,129
Investment income	2,443	(1,920)	523
Realized and unrealized gain, net	50,121		50,121
Payments and settlements	(10,252)	11,639	1,387
Actuarial adjustment		(4,501)	(4,501)
NET CHANGE	**57,348**	**(689)**	**56,659**
June 30, 2026	$ 602,018	$ (46,230)	$ 555,788

2025	Assets	Liabilities	Net Assets
June 30, 2024	$ 491,726	$ (44,555)	$ 447,171
New contributions	19,786	(4,539)	15,247
Investment income	2,040	(2,087)	(47)
Realized and unrealized gain, net	37,438		37,438
Payments and settlements	(6,320)	7,606	1,286
Actuarial adjustment		(1,966)	(1,966)
NET CHANGE	**52,944**	**(986)**	**51,958**
June 30, 2025	$ 544,670	$ (45,541)	$ 499,129

10. CONTINGENCIES, GUARANTEES, AND COMMITMENTS

The University offers various loan programs for students and families to pay tuition, fees and other costs. Certain loans issued by private lending institutions are guaranteed by the University totaling $14,453,000 and $12,571,000 at June 30, 2026 and 2025, respectively. Upon default by the borrower, the University is required to pay all or a portion of the outstanding loan balance. The University recognized a liability totaling $2,337,000 and $2,360,000 at June 30, 2026 and 2025, respectively, to cover both the fair value of the guarantee and any expected defaults in the portfolio of guaranteed loans.

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the University's education and health care activities, including specific matters described below. While it is not possible to determine the ultimate outcome of any such actions, the University believes that the outcome will not have a material adverse effect on the University's financial position.

UPHS is involved in a legal matter whereby, in fiscal year 2023, a jury awarded $182,738,000 to a plaintiff in a medical malpractice case against UPHS. UPHS has appealed the verdict.

The University is currently involved in various projects that have resulted in capital and property acquisition commitments from the University. As of June 30, 2026, approximately $406,139,000 has been committed by the University.

11. PENSION AND OTHER POSTRETIREMENT BENEFITS COSTS

Retirement benefits are principally provided to employees through contributory defined contribution plans. The Academic Component's policy with respect to its contribution is to provide up to 10% of eligible employees' salaries, while the UPHS contribution can be up to 6.5%. The University's contributions to these plans amounted to $419,568,000 and $389,697,000 as of June 30, 2026 and 2025, respectively.

The University also has non-contributory defined benefit pension plans. Benefits under the plans generally are based on the employee's years of service and compensation during the years preceding retirement. Contributions to the plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Service Code and related regulations. The Academic Component's plan was frozen to new full-time entrants effective July 1, 2000 and part-time entrants effective July 1, 2018. UPHS' primary plan was frozen to new entrants effective July 1, 2010. The benefit accruals for all participants of the LGH and PHCS plans, now part of the UPHS plan, were frozen effective June 30, 2013 and December 31, 2011, respectively. As part of the Affiliation Agreement between the Trustees of the University of Pennsylvania and PMDH, as of April 1, 2025, the information presented for Pension and Postretirement Benefit Costs includes PMDH, where applicable. The PMDH plan was frozen effective December 31, 2010.

The University also has faculty retirement incentive plans which are included in Other retirement programs shown below. The net liability under these plans is $21,752,000 and $23,623,000 as of June 30, 2026 and 2025, respectively.

Additionally, the University provides certain healthcare and life insurance benefits (OPEB) for retired employees. Only a limited number of employees may become eligible for such benefits if they reach retirement age while working for the University. These and similar benefits for active and certain retired employees are provided through insurance contracts.

The University uses a measurement date of June 30 for its defined benefit pension and OPEB plans.

Change in Plan Assets/Obligation and Funded Status

The funded status of the plans is measured as the difference between the plan assets at fair value and the projected benefit obligation (PBO) for Pension Benefits or accumulated postretirement benefit obligation (APBO) for Other Postretirement Benefits. The resulting net liability is recorded in Accrued retirement benefits on the Statements of Financial Position. The following shows changes in the benefit obligation, plan assets and funded status for the years ended June 30, 2026 and 2025 (in thousands):

2026	Pension Benefits	Other Postretirement Benefits	Total
CHANGE IN BENEFIT OBLIGATION:			
Benefit obligation, beginning of year (PBO/APBO)	$ 3,239,013	$ 945,745	$ 4,184,758
Service cost	39,205	31,483	70,688
Interest cost	181,790	54,303	236,093
Plan participants' contributions	164	15,990	16,154
Net actuarial (gain)/loss	28,185	15,488	43,673
Benefits paid	(163,587)	(52,199)	(215,786)
Benefit obligation, end of year (PBO/APBO)	$ 3,324,770	$ 1,010,810	$ 4,335,580
CHANGE IN PLAN ASSETS:			
Fair value of plan assets, beginning of year	$ 3,073,823	$ 910,112	$ 3,983,935
University contributions	38,056	33,170	71,226
Plan participants' contributions	164	15,990	16,154
Actual return on plan assets	361,025	185,461	546,486
Benefits paid	(163,587)	(52,199)	(215,786)
Fair value of plan assets, end of year	$ 3,309,481	$ 1,092,534	$ 4,402,015
FUNDED STATUS, END OF YEAR	$ 15,289	$ (81,724)	$ (66,435)
Other retirement programs			194,839
			128,404
Plan with fair value of plan assets in excess of PBO/APBO*			210,344
ACCRUED RETIREMENT BENEFITS			**$ 338,748**

** Included in Other assets on the Consolidated Statements of Financial Position*

2025	Pension Benefits	Other Postretirement Benefits	Total
CHANGE IN BENEFIT OBLIGATION:			
Benefit obligation, beginning of year (PBO/APBO)	$ 3,216,177	$ 856,775	$ 4,072,952
Service cost	43,750	27,676	71,426
Interest cost	175,814	48,106	223,920
Plan participants' contributions	147	13,923	14,070
PMDH membership substitution	48,871		48,871
Net actuarial (gain)/loss	(98,815)	61,547	(37,268)
Benefits paid	(146,931)	(62,282)	(209,213)
Benefit obligation, end of year (PBO/APBO)	$ 3,239,013	$ 945,745	$ 4,184,758
CHANGE IN PLAN ASSETS:			
Fair value of plan assets, beginning of year	$ 2,962,446	$ 811,256	$ 3,773,702
University contributions	35,624	32,548	68,172
Plan participants' contributions	147	13,923	14,070
Actual return on plan assets	179,397	114,667	294,064
PMDH membership substitution	43,140		43,140
Benefits paid	(146,931)	(62,282)	(209,213)
Fair value of plan assets, end of year	$ 3,073,823	$ 910,112	$ 3,983,935
FUNDED STATUS, END OF YEAR	**$ 165,190**	**$ 35,633**	**$ 200,823**
Other retirement programs			183,226
			384,049
Plan with fair value of plan assets in excess of PBO/APBO*			85,439
ACCRUED RETIREMENT BENEFITS			**$ 469,488**

** Included in Other assets on the Consolidated Statements of Financial Position*

The Accumulated Benefit Obligation for the Pension Benefits was $3,168,902,000 and $3,081,337,000 at June 30, 2026 and 2025, respectively.

For the year ended June 30, 2026, the primary driver of the net actuarial loss in the Benefit Obligations for Pension Benefits was an unfavorable change in plan participant demographics, and the primary driver of the net actuarial loss in Benefit Obligations for Other Postretirement Benefits was an increase in the weighted average Assumed Health Care Cost Trend Rates. For the year ended June 30, 2025, the primary driver of the net actuarial gain in the Benefit Obligations for Pension Benefits was an increase in the weighted average discount rates from 5.60% to 5.77%, and the primary driver of the net actuarial loss in Benefit Obligations for Other Postretirement Benefits was an increase in the weighted average Assumed Health Care Cost Trend Rates.

Net Periodic Benefit Cost

The components of net periodic benefit cost for pension benefits and other postretirement benefits are detailed below (in thousands). In the Consolidated Statements of Activities, service cost is reported as Compensation and benefits while the remaining components of net periodic benefit cost are reported as Pension, OPEB and other, net.

2026	Pension Benefits	Other Postretirement Benefits	Total
Service cost	$ 39,205	$ 31,483	$ 70,688
Interest cost	181,790	54,303	236,093
Expected return on plan assets	(182,002)	(77,036)	(259,038)
Settlement (gain)/loss	(148)		(148)
Amortization of:			
Net prior service cost/(credit)		(325)	(325)
Net losses	1,048	(5,782)	(4,734)
NET PERIODIC BENEFIT COST	**$ 39,893**	**$ 2,643**	**$ 42,536**

2025	Pension Benefits	Other Postretirement Benefits	Total
Service cost	$ 43,750	$ 27,676	$ 71,426
Interest cost	175,814	48,106	223,920
Expected return on plan assets	(182,562)	(64,683)	(247,245)
Settlement (gain)/loss	(26)		(26)
Amortization of:			
Net prior service cost/(credit)		(325)	(325)
Net losses	957	(7,712)	(6,755)
NET PERIODIC BENEFIT COST	**$ 37,933**	**$ 3,062**	**$ 40,995**

Net Assets Without Donor Restrictions

The University recorded the following year-end valuation adjustments to its Pension and Other Postretirement Benefit Plans in Pension, OPEB and other, net in the Consolidated Statements of Activities (in thousands):

2026	Pension Benefits	Other Postretirement Benefits	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Net actuarial (gain)/loss	$ (29,997)	$ (272,184)	$ (302,181)
Net prior service cost/(credit)		(348)	(348)
Total	$ (29,997)	$ (272,532)	$ (302,529)
ADJUSTMENT TO NET ASSETS WITHOUT DONOR RESTRICTIONS (GAIN)/LOSS	**$ (151,740)**	**$ (86,647)**	**$ (238,387)**

2025	Pension Benefits	Other Postretirement Benefits	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Net actuarial (gain)/loss	$ 121,743	$ (185,212)	$ (63,469)
Net prior service cost/(credit)		(673)	(673)
Total	$ 121,743	$ (185,885)	$ (64,142)
ADJUSTMENT TO NET ASSETS WITHOUT DONOR RESTRICTIONS (GAIN)/LOSS	**$ (96,578)**	**$ 19,782**	**$ (76,796)**

Actuarial Assumptions

The expected long-term rate of return on plan assets is management's best estimate of the average investment return expected to be received on the assets invested in the plan over the benefit period. The expected long-term rate of return on plan assets has been established by considering historical and future expected returns of the asset classes invested in by the pension trust, and the allocation strategy currently in place among those classes.

The discount rates are selected from a theoretical portfolio of high-quality corporate bonds that matches the plan's projected benefit payments. A single interest rate is determined that results in a discounted value of the plan's projected benefit payments that equals the market value of the selected bond portfolio.

	Pension Benefits		Other Postretirement Benefits	
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AT YEAR END	**2026**	**2025**	**2026**	**2025**
Discount rate	5.77%	5.77%	6.10%	5.86%
Salary increase	2.86%	2.87%	N/A	N/A
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST				
Discount rate	5.78%	5.58%	5.88%	5.74%
Expected long-term return on plan assets	6.39%	6.38%	8.50%	8.00%
Salary increase	2.87%	3.19%	N/A	N/A
ASSUMED HEALTH CARE COST TREND RATES				
Initial trend rate	N/A	N/A	7.10%	6.56%
Ultimate trend rate	N/A	N/A	4.94%	4.93%
Fiscal year end that ultimate trend rate is reached	N/A	N/A	2049	2049

Expected Contributions

The University expects to contribute $21,032,000 and $19,241,000 for pension benefits and other postretirement benefits, respectively, during the fiscal year ending June 30, 2027.

Expected Benefits Payments (in thousands):

Expected benefit payments for the year ending:	Pension Benefits	Other Postretirement Benefits before Medicare Part D Subsidy	Medicare Part D Subsidy
June 30, 2027	$ 190,652	$ 41,294	$ 22
June 30, 2028	198,262	44,125	24
June 30, 2029	207,442	46,889	26
June 30, 2030	213,503	49,813	27
June 30, 2031	220,280	52,777	28
June 30, 2032 to June 30, 2036	1,179,901	310,043	139

Plan Assets and Allocations

The principal investment objectives for the pension and other postretirement benefits plans are to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios, to maximize long-term investment returns with an acceptable level of risk based on the pension obligations, and to invest the pension trust in a diversified manner.

The University's Office of Investments is responsible for the day-to-day management of the majority of the investments of the pension and other postretirement benefits. The investments are made in accordance with policies set out by the Investment Board which has been appointed by the Trustees. The pension and other postretirement benefit investments are similar in nature to those investments discussed in Notes 1 and 6 – Investments, at Fair Value. However, the actual allocations to specific investments within each asset class may vary due to certain restrictions imposed by investment managers and Employee Retirement Income Security Act (ERISA) regulations.

A summary of plan assets, measured at fair value, as of June 30, 2026 and 2025, is as follows (in thousands):

Pension Benefits:

2026	Level 1	Level 2	Level 3	Investments at NAV	Total
ASSETS:					
Short-term	$ 154,585				$ 154,585
Public equity	61,460			$ 167,375	228,835
Debt:					
US treasuries	1,467,993				1,467,993
Corporate bonds	120,032	$ 4,354			124,386
Absolute return				543,649	543,649
Real assets	1,340			132,007	133,347
Private equity				656,686	656,686
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**$ 1,805,410**	**$ 4,354**	**$ -**	**$ 1,499,717**	**$ 3,309,481**

2025	Level 1	Level 2	Level 3	Investments at NAV	Total
ASSETS:					
Short-term	$ 96,758				$ 96,758
Public equity	57,151			$ 165,064	222,215
Debt:					
US treasuries	1,507,679				1,507,679
Corporate bonds	33,479	$ 18,812			52,291
Absolute return				453,610	453,610
Real assets	1,067			159,650	160,717
Private equity				580,553	580,553
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**$ 1,696,134**	**$ 18,812**	**$ -**	**$ 1,358,877**	**$ 3,073,823**

Other Postretirement Benefits:

2026	Level 1	Level 2	Level 3	Investments at NAV	Total
ASSETS:					
Short-term	$ 91,477				$ 91,477
Public equity	5,066			$ 239,976	245,042
Debt:					
US treasuries	9,059				9,059
Absolute return				305,907	305,907
Real assets	56,352			97,347	153,699
Private equity	2,279			285,071	287,350
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**$ 164,233**	**$ -**	**$ -**	**$ 928,301**	**$ 1,092,534**

2025	Level 1	Level 2	Level 3	Investments at NAV	Total
ASSETS:					
Short-term	$ 33,192				$ 33,192
Public equity	10,571			$ 235,041	245,612
Debt:					
US treasuries	8,830				8,830
Absolute return				272,195	272,195
Real assets	39,955	$ 52		96,071	136,078
Private equity				214,205	214,205
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**$ 92,548**	**$ 52**	**$ -**	**$ 817,512**	**$ 910,112**

As of June 30, 2026, the University has unfunded commitments to limited partnerships totaling $299,893,000, which are expected to be called over the next 5 years.

Plan asset allocations by category are as follows:

2026	Pension Benefits		Other Postretirement Benefits	
Allocation of Plan Assets	**Target**	**Actual**	**Target**	**Actual**
Short-term	0.0%	4.7%	0.0%	8.4%
Public equity	5.0%	6.9%	24.0%	22.4%
Debt:	0.0%	0.0%	0.0%	0.0%
US treasuries	55.0%	44.4%	5.0%	0.8%
Corporate bonds	0.0%	3.8%	0.0%	0.0%
Absolute return	14.0%	16.4%	30.0%	28.0%
Real assets	5.0%	4.0%	15.0%	14.1%
Private equity	21.0%	19.8%	26.0%	26.3%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**

12. DEBT OBLIGATIONS

Debt obligations at June 30, 2026 and 2025 are as follows (in thousands):

	Final Maturity	Effective Interest Rate at June 30, 2026	2026	2025
Academic Component:				
Fixed rate debt obligations:				
The Trustees of the University of Pennsylvania				
Series A of 2020 Taxable Bonds	10/2050	2.40%	$ 300,000	$ 300,000
Series A of 2019 revenue bonds	02/2119	3.61%	300,000	300,000
Series 2012 Taxable Bonds	09/2112	4.67%	300,000	300,000
Pennsylvania Higher Educational Facilities Authority (PHEFA)				
Series A of 2025 revenue bonds	02/2055	3.36% - 4.52%	284,120	284,120
Series B of 2019 revenue bonds	08/2045	2.40% - 2.97%	213,585	213,585
Series A of 2018 revenue bonds	02/2048	2.57% - 3.76%	165,070	165,070
Series A of 2017 revenue bonds	08/2046	2.49% - 3.72%	169,385	174,000
Series A of 2016 revenue bonds	08/2041	1.98% - 2.93%	110,100	111,190
Series A of 2015 revenue bonds	10/2045	2.40% - 2.63%	16,755	22,670
Series B of 2015 revenue bonds	10/2038	2.40% - 3.38%	91,775	110,740
Series C of 2015 revenue bonds	10/2035	3.68%	8,020	8,020
Commercial Bank Loan	08/2032	4.63%	300,000	-
Tax-Exempt Commercial Paper	11/2026	2.40% - 2.62%	200,000	100,000
Other loans	05/2031	3.00% - 5.86%	11,069	11,403
Variable rate debt obligation:				
Washington County Authority Series of 2004	07/2034	2.60%	31,300	34,500
Total Academic Component outstanding bonds payable			2,501,179	2,135,298
Unamortized issuance costs, premiums and discounts, net			46,569	52,130
Total Academic Component debt obligations			$ 2,547,748	$ 2,187,428

UPHS:	Final Maturity	Effective Interest Rate at June 30, 2026	2026	2025
Fixed rate debt obligations:				
Lancaster County Hospital Authority (LCHA)				
Series A of 2016 revenue bonds	08/2042	2.41% - 3.52%	$ 127,270	$ 132,745
Series B of 2016 revenue bonds	08/2046	2.36% - 3.58%	99,105	99,105
PHEFA				
Series 2025 revenue bonds	08/2054	2.79% - 5.07%	318,525	-
Series A of 2021 revenue bonds	08/2044	1.61% - 2.11%	79,810	79,810
Series B of 2021 revenue bonds	08/2042	1.25% - 2.70%	84,205	93,045
Series A of 2019 revenue bonds	08/2049	1.67% - 3.22%	534,870	534,870
Series A of 2017 revenue bonds	08/2047	2.60% - 3.68%	400,000	400,000
Series C of 2016 revenue bonds	08/2041	1.85% - 3.08%	61,195	86,660
Series A of 2015 revenue bonds	08/2045	2.70% - 4.00%	80,760	169,560
New Jersey Health Care Facilities Financing Authority (NJHCFFA)				
Princeton Healthcare System Series A of 2016	07/2039	2.75% - 3.88%	137,875	144,590
University of Pennsylvania Health System Taxable Note	08/2047	4.01%	200,000	200,000
Doylestown Hospital Authority				
Series 2024 revenue bonds	07/2039	4.75% - 5.25%	57,955	58,125
Series A of 2019 revenue bonds	07/2049	3.47% - 3.85%	52,880	52,880
Series A of 2016 revenue bonds	07/2046	2.70% - 3.57%	39,580	39,690
Series A of 2013 revenue bonds	07/2029	3.97% - 4.19%	7,760	9,970
Lancaster General Hospital 2015 Taxable Note	08/2032	2.25%	51,870	54,794
Lines of Credit, outstanding balance	04/2028	4.09%	9,240	9,240
Mortgages, Notes and Other	Various	Various	74,291	80,448
Variable rate debt obligations:				
PHEFA Series A of 2008 revenue bonds	01/2038	2.70%	69,995	69,995
NJHCFFA Princeton Healthcare System Series B of 2016	07/2045	3.01%	65,000	65,000
NJHCFFA Princeton Healthcare System Series C of 2016	07/2045	3.01%	20,000	20,000
Total UPHS outstanding bonds payable			2,572,186	2,400,527
Unamortized issuance costs, premiums and discounts, net			142,397	149,047
Total UPHS debt obligations			2,714,583	2,549,574
TOTAL DEBT OBLIGATIONS			**$ 5,262,331**	**$ 4,737,002**

Contractual maturities of debt obligations are as follows (in thousands):

Fiscal Year	Academic Component	UPHS	Total
2027	$ 228,010	$ 81,643	$ 309,653
2028	32,593	68,983	101,576
2029	343,953	62,954	406,907
2030	36,709	65,695	102,404
2031	38,449	68,655	107,104
Thereafter	1,821,465	2,224,256	4,045,721
Total Principal	2,501,179	2,572,186	5,073,365
Unamortized issuance costs, premiums & discounts	46,569	142,397	188,966
TOTAL DEBT OBLIGATIONS	**$ 2,547,748**	**$ 2,714,583**	**$ 5,262,331**

To secure certain self-insured liabilities, the University has letters of credit with various financial institutions totaling $16,954,000 and $18,058,000 at June 30, 2026 and 2025, respectively, of which $11,082,000 and

$11,395,000 were issued under a line of credit. The letters of credit have evergreen provisions for automatic renewal. There have been no draws under the letters of credit.

Academic Component

The University established a tax-exempt commercial paper program in October 2024 with a maximum authorized amount of $200,000,000. The amount outstanding was $200,000,000 and $100,000,000 as of June 30, 2026 and 2025, respectively.

On February 5, 2025, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued Revenue Bonds Series A of 2025 (PHEFA 2025A bonds) with an aggregate principal amount of $284,120,000. The proceeds were used to fund or reimburse the University for the cost of various capital projects. Interest on the PHEFA 2025A bonds is fixed with coupon rates ranging between 4.25% and 5.00%.

On August 7, 2025, the University obtained a loan through a commercial bank with a principal amount of $300,000,000. The loan matures on August 7, 2032, and the interest rate is 4.63%. The proceeds of the loan are used for various general corporate purposes, including liquidity needs.

The University has variable rate debt in the amount of $31,300,000 which is subject to optional tender by the holders upon seven days' notice. These bonds are reflected in the table above based on original scheduled maturities. In the event that the University receives notice of any optional tender on its variable rate demand bonds, the purchase price will be repaid from the remarketing of the bonds. However, in the event that the entire remarketing effort were to fail, the University would have the general obligation to purchase the bonds.

The University maintains lines of credit for general purposes and pays a fee annually on unused amounts. There were no outstanding balances as of June 30, 2026 and 2025. The following table summarizes the amounts and maturities of the lines of credit as of June 30, 2026 (in thousands):

Final Maturity		Amount
06/2027	$	100,000
06/2027		200,000
06/2028		200,000
06/2028		100,000
TOTAL	**$**	**600,000**

UPHS

The PHEFA, Lancaster County Hospital Authority (LCHA), New Jersey Health Care Facilities Financing Authority (NJHCFFA), and Doylestown Hospital Authority (DHA) Revenue Bonds are secured by master notes issued under the UPHS Master Trust Indenture (MTI). The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness, and among other things, require UPHS to meet an annual debt service coverage requirement of "income available for debt service" (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) at an amount equal to 110% of the annual debt service requirements. If the coverage requirement for a particular year is not met, within six months of the close of that fiscal year, UPHS must retain the services of a consultant to make recommendations to improve the coverage requirement. UPHS must also implement the recommendations of the consultant to the extent that they can be feasibly implemented. UPHS will not be considered to be in default of the provisions of the MTI so long as UPHS has sufficient cash flow to pay total operating expenses and debt service for the fiscal year. In both 2026 and

2025, UPHS met its debt service coverage requirement under the MTI. Additionally, UPHS has pledged its gross revenues to secure its obligation under the MTI.

On July 10, 2025, PHEFA issued Refunding Revenue Bonds of 2025 (PHEFA 2025 bonds) for $318,525,000, of which $77,097,000 was used to redeem a portion of the PHEFA Refunding Revenue Bonds Series A of 2015. In addition to the refunding, the bonds provided $249,657,000 of funds held by trustee in a capital project fund, of which $179,000,000 were used to reimburse UPHS for expenses already paid in relation to various projects and capital expenditures with the remaining held for future expenditures. Interest on the PHEFA 2025 bonds is fixed with coupon rates ranging between 5.00% and 5.50%.

As a result of the legal defeasance of debt associated with the issuance of PHEFA 2025 bonds, the University reported a gain on early extinguishment of debt in Pension, OPEB and other, net on the Consolidated Statements of Activities in the amount of $2,156,000 for the year ended June 30, 2026.

UPHS established a taxable commercial paper program in August 2025 with a maximum authorized amount of $300,000,000. There was no outstanding amount as of June 30, 2026.

UPHS has certain variable rate debt in the amount of $69,995,000 which is subject to optional tender by the holders upon seven days' notice. These bonds are reflected in the debt obligations maturity table above based on original scheduled maturities. In the event that UPHS receives notice of any optional tender on its variable rate demand bonds, the purchase price will be repaid from the remarketing of the bonds. However, in the event that the entire remarketing effort were to fail, UPHS has in place a renewable direct pay letter of credit issued by Bank of America with an expiration date of April 15, 2028. In the event that the letter of credit cannot be drawn upon, UPHS would have the general obligation to purchase the bonds.

UPHS maintains lines of credit to supplement liquidity and issue letters of credit to cover balances due on construction projects and reinsurance agreements. UPHS increased the amount available under the existing revolving line of credit from $100,000,000 to $200,000,000 in July 2025 and established a second revolving line of credit totaling $100,000,000 in September 2025. The following table summarizes the amounts and maturities of the lines of credit as of June 30, 2026 (in thousands):

Final Maturity		Amount		Drawn
09/2027	$	100,000		
04/2028		200,000	$	9,240
TOTAL	**$**	**300,000**	**$**	**9,240**

Interest Rate Swap Agreements

The University enters into interest rate swap agreements to synthetically modify the interest rate terms of its long-term debt portfolio. These agreements are not entered into for trading or speculative purposes. Fair value of these agreements is determined by obtaining quotes from third parties, which are based on the income approach, using observable market data to discount future net payment streams. Accordingly, the University considers this to be a Level 2 measurement. The quotes provided also represent the amount the University would accept or be required to pay to transfer the agreement or exit price as defined by the Fair Value Measurements standard. The University also takes into account the risk of nonperformance.

The following table summarizes the terms of the University's remaining interest rate swap agreements (in thousands):

	Academic Component	UPHS
Notional Amounts	$ 78,425	$ 17,275
Trade Date	11/6/2007	7/28/2006
Maturity Date	7/1/2034	7/1/2041
Rates:		
Receive	67% of 1-Month SOFR	70% of 1-Month credit spread adjusted SOFR
Pay	3.573%	3.980%

The following table summarizes the fair value of the interest rate swap agreements, not designated as hedging instruments, as of June 30, 2026 and 2025, and the related gains on the interest rate swap agreements, both realized and unrealized, for the years ended June 30, 2026 and 2025 (in thousands):

	Line Item	2026	2025
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:			
Liability interest rate swaps:			
Academic Component	Accrued expenses and other liabilities	$ 2,807	$ 4,352
UPHS	Accrued expenses and other liabilities	1,307	1,736
TOTAL LIABILITY INTEREST RATE SWAPS		**$ 4,114**	**$ 6,088**
CONSOLIDATED STATEMENTS OF ACTIVITIES:			
Academic Component	Return on investments, net	$ 861	$ (1,051)
UPHS	Return on investments, net	427	(95)
TOTAL		**$ 1,288**	**$ (1,146)**

13. NET ASSETS

The major components of net assets at June 30, 2026 and 2025 are as follows (in thousands):

2026	Without donor Restrictions	With donor Restrictions	Total
General operating	$ 7,805,359	$ 1,116,978	$ 8,922,337
Sponsored programs	10,341		10,341
Capital		112,057	112,057
Student loans	4,513		4,513
Planned giving agreements		80,389	80,389
Quasi-endowment	17,187,186		17,187,186
Endowment, subject to spending rule		8,052,880	8,052,880
Endowment, held in perpetuity		5,864,152	5,864,152
TOTAL NET ASSETS	**$ 25,007,399**	**$ 15,226,456**	**$ 40,233,855**

2025	Without donor Restrictions	With donor Restrictions	Total
General operating	$ 7,912,240	$ 1,013,807	$ 8,926,047
Sponsored programs	899		899
Capital		95,960	95,960
Student loans	4,902		4,902
Planned giving agreements		64,231	64,231
Quasi-endowment	13,520,958		13,520,958
Endowment, subject to spending rule		5,684,142	5,684,142
Endowment, held in perpetuity		5,602,928	5,602,928
TOTAL NET ASSETS	**$ 21,438,999**	**$ 12,461,068**	**$ 33,900,067**

14. OTHER INCOME

The components of Other income for the years ended June 30, 2026 and 2025, are as follows (in thousands):

	2026	2025
Commercialization of intellectual property*	$ 197,462	$ 560,928
UPHS ambulatory pharmacy	1,862,977	1,443,726
Other	741,078	756,710
TOTAL OTHER INCOME	**$ 2,801,517**	**$ 2,761,364**

**Net of distributions to external parties*

15. LEASES

The University leases research labs and office space under operating leases expiring through February 2045. On the Consolidated Statements of Financial Position, lessees are required to record Right-of-Use assets, representing the right to use the underlying assets for the lease term, and Lease liabilities, representing the obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. The University has made the following elections: (1) to exclude leases with a term of less than one year and (2) to use an incremental borrowing rate for discounting leases, as applicable. At June 30, 2026 and 2025, Right-of-Use assets recorded in Other assets were $613,802,000 and $619,995,000, respectively, and Lease liabilities recorded in Accrued expenses and other liabilities were $653,281,000 and $648,403,000, respectively. At June 30, 2026, the weighted average remaining lease term was 8.5 years and the weighted average discount rate was 3.6%. At June 30, 2025, the weighted average remaining lease term was 9.8 years and the weighted average discount rate was 3.4%. Rental expense, for the years ended June 30, 2026 and 2025, totaled $175,147,000 and $168,853,000 (including amortizations related to Right-of-Use assets and Lease liabilities of $102,841,000 and $94,966,000), respectively. Rental expense is included in Other operating expenses on the Consolidated Statements of Activities.

Future maturities of total lease liabilities at June 30, 2026 are as follows (in thousands):

Year ending June 30,		
2027	$	106,478
2028		96,663
2029		93,519
2030		85,778
2031		75,791
Thereafter		319,050
Total lease payments	$	777,279
Less imputed interest		(123,998)
TOTAL FUTURE LEASE PAYMENTS	**$**	**653,281**

16. FUNCTIONAL CLASSIFICATION OF EXPENDITURES

Expenses for the years ended June 30, 2026 and 2025 are categorized on a functional basis as follows (in thousands):

2026	Instruction, student services & academic support	Hospital & physician practices	Research	Institutional support	Enterprises & independent operations	Total
Compensation and benefits	$ 1,526,952	$ 6,863,061	$ 701,391	$ 370,062	$ 270,062	$ 9,731,528
Depreciation and amortization	112,683	449,185	65,549	28,447	82,896	738,760
Interest on indebtedness	37,316	90,180	32,420	195	13,122	173,233
Other operating expense	736,326	5,852,967	475,466	140,405	251,502	7,456,666
Total operating expense	2,413,277	13,255,393	1,274,826	539,109	617,582	18,100,187
Non-service net periodic benefit cost	(4,417)	(19,852)	(2,030)	(1,070)	(783)	(28,152)
TOTAL	**$ 2,408,860**	**$ 13,235,541**	**$ 1,272,796**	**$ 538,039**	**$ 616,799**	**$ 18,072,035**

2025	Instruction, student services & academic support	Hospital & physician practices	Research	Institutional support	Enterprises & independent operations	Total
Compensation and benefits	$ 1,487,362	$ 6,194,035	$ 711,900	$ 357,264	$ 268,709	$ 9,019,270
Depreciation and amortization	101,461	425,570	56,891	23,827	78,761	686,510
Interest on indebtedness	16,254	84,678	22,485	150	10,356	133,923
Other operating expense	727,001	5,002,820	497,270	129,396	249,131	6,605,618
Total operating expense	2,332,078	11,707,103	1,288,546	510,637	606,957	16,445,321
Non-service net periodic benefit cost	(5,018)	(20,900)	(2,401)	(1,205)	(907)	(30,431)
TOTAL	**$ 2,327,060**	**$ 11,686,203**	**$ 1,286,145**	**$ 509,432**	**$ 606,050**	**$ 16,414,890**

Operation and maintenance of PPE and depreciation are allocated to functional classifications based on square footage. Interest expense is generally allocated to functional classifications of the activity that directly benefited from the proceeds of the debt. Non-service net periodic benefit cost is allocated to functional classifications based on compensation and benefits.

17. LIQUIDITY AND AVAILABILITY

As of June 30, 2026 and 2025, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capital construction costs not financed with debt, were as follows (in thousands):

	2026	2025
Financial assets:		
Cash & cash equivalents	$ 3,119,140	$ 2,955,426
Receivables, net	2,091,907	1,917,694
Pledge payments available for operations	66,145	56,382
Investments	9,002,079	8,871,495
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	**14,279,271**	**13,800,997**
Liquidity resources:		
Bank lines of credit	879,678	675,170
Commercial paper programs	300,000	100,000
TOTAL FINANCIAL ASSETS AND LIQUIDITY RESOURCES AVAILABLE WITHIN ONE YEAR	**$ 15,458,949**	**$ 14,576,167**

The University's cash flows have seasonal variations during the year attributable to tuition billing, patient service reimbursement and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the University maintains lines of credit with several banks that are drawn upon as needed during the year to manage cash flows. Taxable and tax-exempt commercial paper programs are also utilized as needed for capital expenditures and liquidity support. Management has the discretion to utilize the full amount of quasi-endowment funds for general expenditures.

18. SUBSEQUENT EVENTS

The University has evaluated subsequent events for the period from June 30, 2026 through September 24, 2026, the date the consolidated financial statements were issued.

On July 8, 2026, PHEFA issued Refunding Revenue Bonds Series A of 2026 (Academic PHEFA 2026A bonds) with an aggregate principal amount of $270,460,000. The proceeds were used to redeem $11,440,000 from PHEFA Refunding Revenue Bonds Series A of 2015, $77,225,000 from PHEFA Refunding Revenue Bonds Series B of 2015, $109,130,000 from PHEFA Refunding Revenue Bonds Series A of 2016, and $100,000,000 of Tax-Exempt Commercial Paper.

On August 4, 2026, PHEFA issued Refunding Revenue Bonds Series A of 2026 (UPHS PHEFA 2026A bonds) with an aggregate principal amount of $94,165,000, and NJHCFFA issued Refunding Revenue Bonds Series C of 2026 (UPHS NJHCFFA 2026C bonds) with an aggregate principal amount of $116,230,000. The proceeds were used to redeem $98,210,000 from LCHA Refunding Revenue Bonds Series A of 2016, $1,475,000 from PHEFA Refunding Revenue Bonds Series C of 2016, and $126,280,000 from NJHCFFA Refunding Revenue Bonds Series A of 2016.