

UNIVERSITY OF PENNSYLVANIA



Annual Financial Report

2024-2025



“Penn could not be more proud or more committed to . . . revolutionary advances, and the pioneering work happening in all of our Schools every day. From wildfires to wild innovations, the lessons are clear: In volatile times—when the pressure is on, the odds are long, and the stakes are high—adapting creatively can make a huge difference.”

— PRESIDENT J. LARRY JAMESON, MAY 19, 2025, UNIVERSITY OF PENNSYLVANIA'S
269TH COMMENCEMENT CEREMONY



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Letter from the Executive Vice President

I am pleased to share the financial results from fiscal year 2025, a year that concluded in a position of strength even as we enter a period of sustained uncertainty. Headwinds that once felt distant have become an urgent reality across higher education and in healthcare more broadly. Navigating this environment underscored the primary importance of managing resources with discipline, transparency, and long-term vision to protect Penn’s core teaching, research, and clinical missions.

Our immediate and long-term financial planning is guided by the commitment to manage every dollar entrusted to Penn—from families’ tuition to the profoundly generous donations of our alumni and broader philanthropic community—with the highest standard of stewardship and care. We are taking proactive steps to slow the growth of expenses while preserving our flexibility to adapt. In fiscal year 2025, these measures included deferring nonessential capital projects, implementing a staff hiring freeze, and a 5% reduction in non-compensation expenses, which has already moderated the growth in compensation expenses.

For Penn, fiscal year 2025 was also a year of continued progress and innovation. The University closed the year with an increase in net assets from operations of \$857 million, representing a 5% Consolidated University operating margin. These results, achieved amid a complex and shifting external environment, underscore both the resilience of our academic, research, and clinical enterprises and the importance of maintaining financial discipline as we look ahead.

It is this commitment that inspired the theme of this year’s report: **Illuminating the Endowment**. Here we share insights into how we approach our cognizant and even vigilant stewardship of one of Penn’s oldest and most significant financial assets. As we move from a year of financial strength into a period that requires ever-more-careful planning and navigation, it has never been more important that the University shed new light on the endowment’s structure as well as our strategy. This stewardship and strategic focus are central to how the endowment shaped Penn’s financial position in fiscal year 2025 and how it will continue to influence the University’s financial health in the years ahead.

This year also marks an important transition in Penn’s financial leadership. After twenty five years of distinguished service, Senior Executive Vice President Craig Carnaroli concluded his tenure. His steady leadership strengthened Penn’s financial footing and advanced a culture of collaboration that will continue to benefit the University for years to come.

As we move forward, we do so with a clear understanding of the challenges ahead and with confidence in the foundations that support us: a strong balance sheet, a diversified set of revenue streams, a thoughtfully stewarded endowment, and a community of faculty, students, staff, alumni, and friends who are deeply committed to this exceptional institution. Since 1740, Penn has carried forward a mission rooted in service and scholarship, with contributions that extend from its home community to a broader global context. As you read this report, I am confident you will see what I do: a university poised for continued, enduring success and impact.



A handwritten signature in black ink that reads "Mark Dingfield". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Mark Dingfield
EXECUTIVE VICE PRESIDENT



Selected University Financial and Other Statistical Highlights

(dollars in thousands)

	2025	2024
PRINCIPAL SOURCES OF REVENUE AND OTHER SUPPORT		
Tuition and fees (net)	\$ 1,428,999	\$ 1,377,760
Commonwealth appropriations	36,740	3,190
Sponsored programs	1,403,768	1,408,679
Contributions and donor support	238,820	217,084
Investment income	1,261,899	1,229,250
Net patient service revenue	10,170,415	9,459,470
Other income	2,761,364	2,095,669
PRINCIPAL SOURCES OF EXPENDITURES		
Compensation and benefits	\$ 9,019,270	\$ 8,398,503
Depreciation and amortization	686,510	658,267
Interest on indebtedness	133,923	143,162
Other operating expenses	6,605,618	5,931,344
SUMMARY OF FINANCIAL POSITION		
Assets	\$ 44,183,435	\$ 40,606,020
Liabilities	10,283,368	9,653,197
Net Assets	\$ 33,900,067	\$ 30,952,823
NET ASSETS		
Without donor restrictions	\$ 21,438,999	\$ 19,554,631
With donor restrictions	12,461,068	11,398,192
STUDENTS, STAFF, AND FACULTY		
Enrollment		
Undergraduate students	11,478	11,611
Graduate students	17,631	17,100
Total	29,109	28,711
Degrees and Certificates Conferred		
Undergraduate	3,281	3,137
Graduate	7,322	7,254
Total	10,603	10,391
University Faculty and Staff		
Standing faculty	2,944	2,878
Associated faculty	2,883	2,687
Staff	15,201	15,215
Total	21,028	20,780

Financial Overview

Penn ended fiscal year 2025 with total net assets of \$33.9 billion, an increase of \$2.9 billion over fiscal year 2024. The increase in net assets from operations was \$857 million, or a 5% consolidated operating margin. Revenue grew 9.6%, or \$1.5 billion, but was closely trailed by expense growth of 8.7%, or \$1.3 billion, reflecting continued investment in the University's faculty and staff, student financial aid, and campus construction.

OPERATING REVENUES

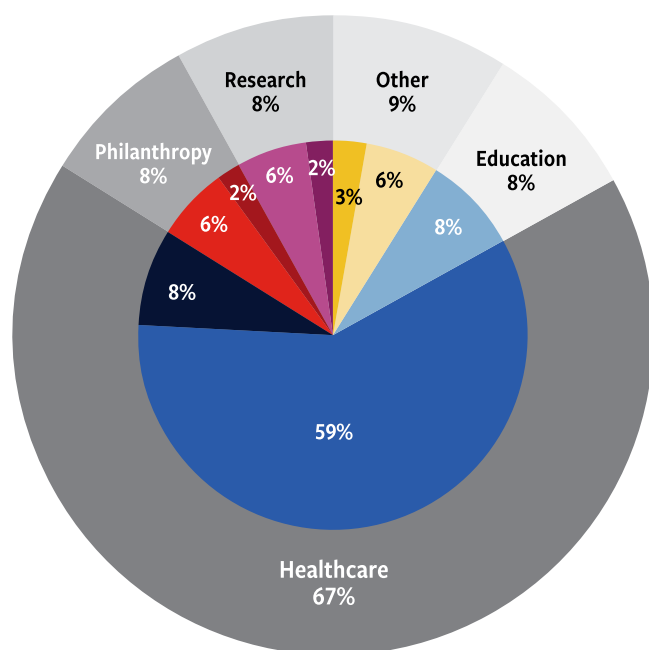
Penn's operating revenues reflect the breadth and strength of its academic, research, clinical, and philanthropic enterprises. In fiscal year 2025, revenue from **education** (i.e., tuition and fees, net of financial aid) remained strong, supported by stable enrollment and significant investments in need-based financial aid.

Sponsored research revenue was essentially unchanged from the prior year, with overall activity bolstered by endowment income, philanthropy, and institutional funding.

The University of Pennsylvania Health System (UPHS) continued to be the University's largest source of revenue growth, benefiting from increased patient volume and the addition of Penn Medicine Doylestown Health.

Philanthropy remained an important and growing source of support. Collectively, these components provided a solid financial foundation for continued progress across the University and Health System.

OPERATING REVENUES FY25



Commercialization	\$ 560,928
Other	\$ 958,617
Tuition and Fees	\$ 1,428,999
Patient Revenue	\$10,170,415
Ambulatory Pharmacy	\$ 1,443,726
Net Endowment Distribution	\$ 1,096,732
Current Use Gifts	\$ 238,820
Federally Sponsored Research	\$ 1,063,205
Non-Federally Sponsored Research	\$ 340,563
Total	\$ 17,302,005

EDUCATION



The student body consists of more than 29,000 students across Penn’s 12 schools. Revenue from education, net of financial aid, makes up 27% of the Academic Component’s operating revenue.

Undergraduate Financial Aid

The University is committed to making a Penn education accessible and affordable for all students, regardless of their financial circumstances. Penn undergraduate aid is entirely need-based and meets 100% of a family’s demonstrated financial need with grant funds and work-study. The University does not include loans in a student’s financial aid package, making it possible to graduate debt-free. Students whose families make less than \$75,000 (with typical assets) receive a financial aid package that covers at least tuition, room and board, and associated expenses.

In fiscal year 2025, Penn awarded a total of \$329.7 million in need-based grant aid, 85% of which comes from endowment, gifts, and other institutional funding sources. Despite the substantial growth in endowment for undergraduate aid over the past several years, the percentage of Penn’s undergraduate aid budget funded by endowment income is notably less than several of our peer institutions. Endowment income funded 27% of undergraduate financial aid in fiscal year 2025. Thanks to generous donors—including some highlighted in this report—the value of the undergraduate financial aid endowment has doubled over the past 10 years to more than \$1.5 billion.



THE **Quaker**
COMMITMENT

In November 2024, Penn announced the Quaker Commitment, an expansion of the University’s financial aid program, which *provides additional support for undergraduate students from families whose annual income (with typical assets) is less than \$200,000*. The Quaker Commitment ensures that students receive a financial aid package covering at least the full cost of tuition. The program also removes primary home equity from the financial aid assessment process.

RESEARCH

In fiscal year 2025, research related to **sponsored programs** generated \$1.4 billion in revenue, comparable to the prior year, and research expenditures totaled \$1.3 billion. **Federally sponsored research awards** decreased 4% year-over-year, due to federal policy changes. The University also funds research through **endowment, philanthropy, and institutional sources**, demonstrating Penn's centuries-long commitment to groundbreaking research.

(For a list of grants, see page 11.)

HEALTHCARE

Patient services revenue from University of Pennsylvania Health System (UPHS) makes up 59% of **Consolidated University** operating revenue in fiscal year 2025. Penn Medicine is the brand name and governance structure that combines UPHS and the Perelman School of Medicine to operate, oversee, and coordinate its academic, research, and clinical missions.

Net Patient Service Revenue, primarily from the seven hospitals across the system, increased 8% over the prior year due to increased patient admissions across the system, with inpatient volume increasing over the prior year by 1.7%. Both inpatient and outpatient cases increased over the prior year by 0.4% and 3.7%, respectively.

In April 2025, Penn Medicine completed its acquisition of Doylestown Health, now operating as **Penn Medicine Doylestown Health** (PMDH). As the seventh hospital in the system, PMDH expands access in the region and enhances our ability to deliver the most advanced, convenient, and compassionate care possible.



Celebrating the signing of the agreement (from left): Kevin Mahoney, CEO of UPHS; Perelman School of Medicine Dean and Executive Vice President, University of Pennsylvania for the Health System Jonathan A. Epstein; Kathleen Krick, President of the Village Improvement Association of Doylestown; Marianne Chabot, Chair of the boards at Doylestown Hospital and Doylestown Health Foundation and Vice President of Health Services at Village Improvement Association of Doylestown; and Jim Brexler, President and CEO of Doylestown Health. PHOTO BY CAROL BERMAN

PHILANTHROPY

The University and Health System are fortunate to have an engaged and generous base of alumni, supporters, and friends. Through current-use gifts and annual allocation of endowment income, philanthropy provided 22% of the Academic Component's revenue in fiscal year 2025.

Current-use gifts increased by 10% over the prior year, boosted by **The Penn Fund** raising a record-breaking \$70.1 million to support undergraduate financial aid. The annual allocation of endowment income increased by 6% compared to the prior year, primarily due to the endowment's growth.

OTHER INCOME

An additional 9% of revenue comes from a variety of other **mission-related sources** such as patent royalties and Commonwealth appropriations. (See note 14 of the *Notes to Consolidated Financial Statements* for a summary of Other Income.)

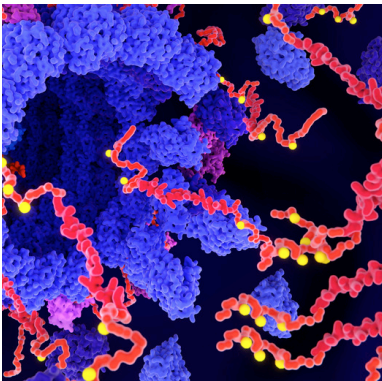


SELECT HIGHLIGHTS OF RESEARCH AND PHILANTHOPY IN 2025

FEDERAL GRANTS

\$14 Million National Institutes of Health (NIH) Grant to Perelman School of Medicine and Children’s Hospital of Philadelphia (CHOP): Gene-Editing Research for Rare Metabolic Diseases

In October 2024, the NIH Somatic Cell Genome Editing Program gave the Perelman School of Medicine and CHOP a \$14 million grant to research gene-editing therapies for rare metabolic diseases. While the four-year grant seeks to develop therapies for urea cycle disorders, which impact roughly 1 in every 35,000 children, the long-term vision is creating a platform—using a form of CRISPR technology—for rapid development of personalized gene-editing therapies with potential to address a wide range of rare genetic disorders.



\$11 Million NIH Grant to Perelman School of Medicine: Links between Chemical Exposure and Increased Risk for Dementia

Researchers at the Perelman School of Medicine—in partnership with three other universities—will use the NIH grant to compare MRI scans and cognitive tests with decades of data from blood and urine tests from thousands of people to measure pesticides, metals, and other elements. Their objective is to flag potential factors for increased risk of neurologic disorders.

\$6.9 Million National Institute on Aging (NIA) Grant to Penn Medicine: Advance Potential Treatment for Alzheimer’s

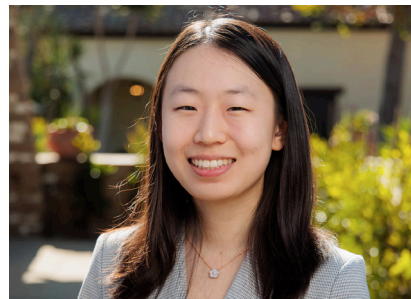
Penn Medicine researchers will use the grant from the NIA to demonstrate the safety of a new drug, CNDR-51997, with potential as a disease-modifying treatment for Alzheimer’s disease. The team includes Penn scientists who devised CNDR-51997. They have since found CNDR-51997 to be effective in restoring brain health in mouse models of Alzheimer’s.

\$1.2 Million National Science Foundation (NSF) Grant to the PRECISE Center: Trustworthiness of AI in Autonomous Vehicles and Transportation Systems

The NSF and its MSI Expansion Program have awarded a grant to a project that addresses the safety and trustworthiness of the AI that powers autonomous vehicles and transportation systems, including vulnerability to adversarial attacks and equitable AI decision-making for all users.

\$8 Million Grant from The Robert K. Johnson Foundation: An Integrated Studies Program for the College of Arts and Sciences (CAS)

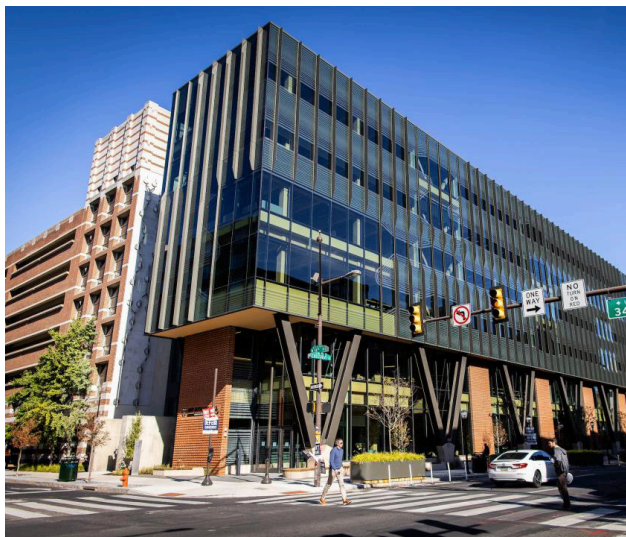
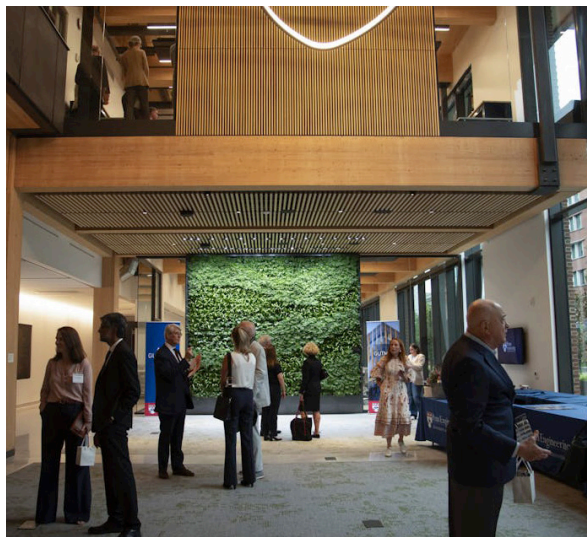
The Foundation contributed \$8 million in May 2025 to name and endow The Robert K. Johnson Integrated Studies Program. Launched in 2011, the program offers a theme-based curriculum for a cadre of highly motivated first-year Benjamin Franklin Scholars in CAS. Each year, these 80 students reside together in Hill House and take two innovative double-credit courses exploring a complex, broad central theme through multiple academic disciplines.



Annabelle Jin '25, a former Benjamin Franklin Scholar, was named a 2025–26 Luce Scholar. She co-founded the nonprofit Students Organizing for Access to Reproductive Health.

\$5 Million Grant from the Knight Foundation: Launch of the Penn Center on Media, Technology, and Democracy

A five-year, \$5 million investment in 2024 from the John S. and James L. Knight Foundation made possible a new interdisciplinary Center that brings together dozens of scholars across six schools: the School of Engineering and Applied Science, the Annenberg School for Communication, the College of Arts and Sciences, Carey Law School, the School of Social Policy and Practice, and the Wharton School. Center scholars specialize in novel data collection, large-scale cloud computing, and innovative applications of AI. Focusing on media organizations and online platforms, they use emerging technology to examine the incentives and algorithms that determine which ideas and beliefs spread through the media and culture—and which do not.



The Center on Media, Technology, and Democracy is housed at Penn Engineering's Amy Gutmann Hall, one of the University's newest buildings, at 34th and Chestnut Streets. (Right: Photo by Eric Sucar)

Groundbreaking Clifton Gift to Penn Medicine: The Clifton Center for Medical Breakthroughs

In early 2025, Catherine and Anthony Clifton made a transformational gift to accelerate patient care, research, and education at Penn Medicine. In honor of their historic philanthropic commitment—one of the largest gifts to ever name a U.S. inpatient hospital building—the Penn Medicine Pavilion will become the Clifton Center for Medical Breakthroughs. This \$1.6 billion facility—the largest capital project in Penn’s history—contains 47 operating rooms and 504 private patient rooms.



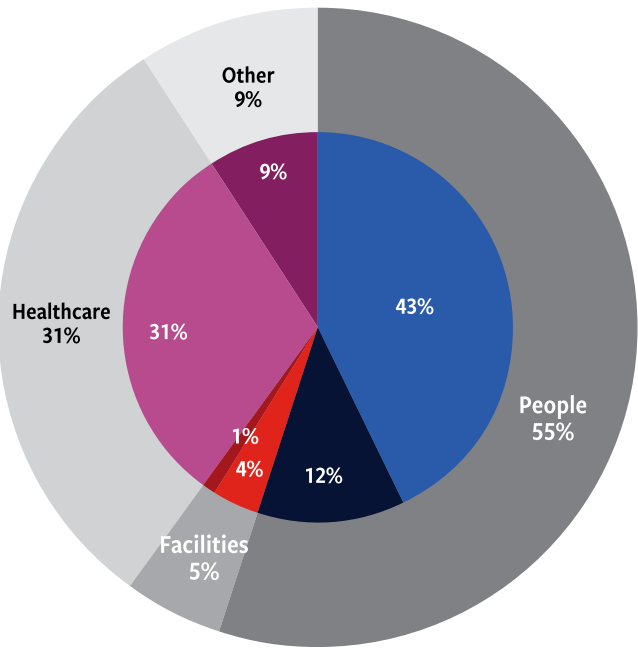
\$10 Million to the University from Alumnus Alp Ercil for Climate Sustainability

A gift from Alp Ercil (ENG95, W95) in August 2024 established the Penn Climate Sustainability Initiative. Fostering collaboration across all 12 schools on campus, the initiative accelerates the campus-wide Climate and Sustainability Action Plan and enhances Penn’s contribution to the global policy debate. Ercil, a graduate of Penn’s Management and Technology (M&T) Program, is founder and chief investment officer of Asia Research and Capital Management, Ltd. His past gifts to Penn have supported the Ercil Endowed Scholarship, the M&T Integration Lab, and the Undergraduate Financial Aid Leadership Council (UFLC) Challenge Fund.

OPERATING EXPENSES

Penn’s spending encompasses three major categories: people, facilities, and healthcare delivery.

OPERATING EXPENSES FY25



Salaries and Wages	\$ 7,025,797
Benefits	\$ 1,993,473
Depreciation and Amortization	\$ 686,510
Interest	\$ 133,923
Hospital Supplies	\$ 5,044,597
Other	\$ 1,561,021
Total	\$ 16,445,321

People

The individuals who make up our faculty and staff are fundamental to all the mission-based work we are able to achieve, and we honor our commitment to this community through fair and competitive compensation, healthcare contributions, and other assistance.

Compensation—salaries, wages, and benefits—makes up 55% of the Consolidated University total operating expenses. Compensation expenses increased 7% over the prior year, primarily due to medical cost increases in employee benefits and market-necessitated salary adjustments for the Health System. The Academic Component implemented a hiring freeze in March 2025, which moderated the increase in expenses.

Facilities

Facilities-related expenses increased 2% due to inflation and both the Health System and Academic Component continuing to address deferred maintenance needs. For updates about the construction of capital projects, see Fixed Assets in the Balance Sheet section (page 15).

Healthcare

Healthcare delivery expenses increased 12% over the prior year, driven by increases in patient volume across the Health System and continued growth in costs related to supplies from Penn Medicine’s Specialty Pharmacy. An additional 9% of expenses consist of mission-related activities such as professional services.

BALANCE SHEET

Investments

The University's endowment returned 12.2% for fiscal year 2025, increasing in value from \$22.3 billion to \$24.8 billion. **The endowment distributed \$1.1 billion in support of operations funding student aid, instructional support, healthcare, and research.** The University holds highly liquid assets outside the endowment for operating purposes. These cash and cash equivalents totaled \$3.0 billion at June 30, 2025, compared to \$2.7 billion at June 30, 2024. (For more, see Illuminating the Endowment on page 18.)

Debt

Bonds and notes payable increased to \$4.7 billion, an increase of \$463 million over June 30, 2024. The increase was driven by the **Academic Component's issue of \$284 million in tax-exempt bonds** (Series 2025A), and the **issuance of \$100 million in tax-exempt commercial paper** under a newly created program. **The Consolidated University maintained its AA+ rating by S&P Global and Aa1 by Moody's Investor Services.**

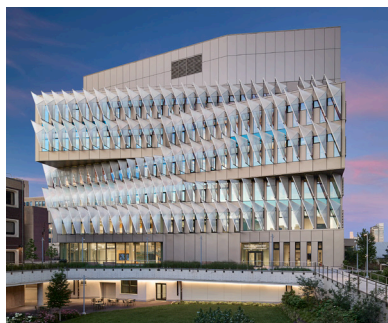
Fixed Assets

The Consolidated University invested \$979 million in **capital expenditures** in fiscal year 2025, reflecting strategic priorities such as undergraduate house renewal and planned academic building renovations. The Academic Component celebrated the opening of **Amy Gutmann Hall** and the **Vagelos Laboratory for Energy Science and Technology** (see more on page 16). The Health System made considerable progress on the **Penn Medicine Princeton Cancer Center** (see rendering below), a transformative \$401 million project to expand cancer treatment services.



ACADEMIC CAPITAL INVESTMENTS: FISCAL YEAR 2025 HIGHLIGHTS

Fiscal year 2025 marked the completion of several facilities that reflect the University's continued investment in academic excellence, interdisciplinary collaboration, and sustainability. Together, these projects strengthen research, preserve historic structures, and support university life, while fostering impactful experiences for the community for generations to come.



VAGELOS LABORATORY FOR ENERGY SCIENCE AND TECHNOLOGY

The new home of the Vagelos Institute for Energy Science and Technology and the Vagelos Integrated Program in Energy Research, this LEED Platinum-certified facility brings Penn's energy research into one state-of-the-art space. Shared by Penn Arts & Sciences and Penn Engineering, the 112,500-square-foot building promotes research productivity and interdisciplinary collaboration.



AMY GUTMANN HALL

Amy Gutmann Hall serves as a data science hub and center for cross-disciplinary collaboration across Penn's twelve schools and numerous academic centers. Constructed using efficient and sustainable mass timber, the 116,000-square-foot facility features active learning classrooms and project spaces, making concepts of data analysis more accessible to the entire Penn community.



OTT CENTER FOR TRACK AND FIELD

The Ott Center for Track and Field is a state-of-the-art indoor track and field facility and Penn's track and field's first-ever indoor practice and competition space. The 71,900-square-foot center features seating for 1,000 spectators and will enhance and support the historic Penn Relays.



COLLEGE HALL WEST WING RENOVATION

A major restoration of the west wing of College Hall was completed to restore the stature, physical presence, and impact of the first building on Penn's West Philadelphia campus. The renovation introduced historically appropriate energy efficient systems and infrastructure.

CLIMATE AND SUSTAINABILITY ACTION PLAN (CSAP) In 2024, Penn launched CSAP 4.0, a five-year road map advancing the University's goal of carbon neutrality by 2042. Building on the progress of CSAP 3.0, the plan expands sustainability efforts across eight initiative areas: Academics, Utilities and Operations, Physical Environment, Procurement, Strategic Waste, Transportation, Civic Engagement and Outreach, and for the first time, the Health System.

Illuminating the Endowment



THE ENDOWMENT: AN INTRODUCTION

Despite its critical role in supporting Penn’s excellence, the endowment is not always well understood. Public discussion often focuses on the size of the endowment, or the investment returns it generates, rather than its purpose, spending, structure, and restrictions. A wider understanding of these aspects of the endowment helps provide context for the University’s financial and operational decisions.

A university endowment is an aggregation of historical gifts intended to provide long-term financial support to the institution. Each gift is invested with the goal of supporting perpetual spending for the gift’s stated intention.

Today, spending from Penn’s endowment supports nearly every aspect of University life. Penn distributed over \$1.1 billion from the endowment in fiscal year 2025 to fund financial aid, teaching, research, scientific discovery, and more. This remarkable spending is rooted in the generosity of Penn’s graduates, families, and other donors over more than two hundred years. Their endowed gifts, bolstered by a strong investment program, have been foundational to Penn’s long-term success.

A PERPETUAL PURPOSE

The purpose of Penn’s endowment is to provide perpetual support for the mission and programs of the University. Achieving this objective requires carefully balancing two important goals: supporting substantial spending today while preserving purchasing power to provide comparable resources for future generations.

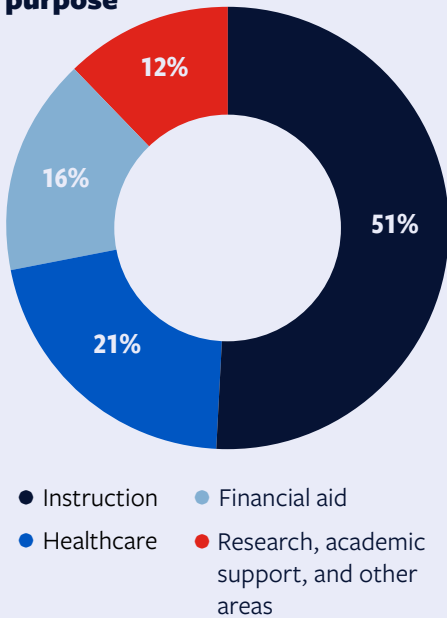
A disciplined approach to endowment spending is critical if Penn is to achieve these dual goals. Informed by long-term market returns and inflation rates, Penn targets a 5% annual spending rate from the endowment. Spending more than this level would likely impair the endowment’s long-term purchasing power, while spending less would implicitly favor future generations.

The endowment’s structure influences how spending is distributed across the University, as there are thousands of individual funds, each with a specified purpose. For many funds, the original donor determined the gift’s perpetual purpose. Other funds are functionally restricted by their ownership or budgeted purpose within the University.

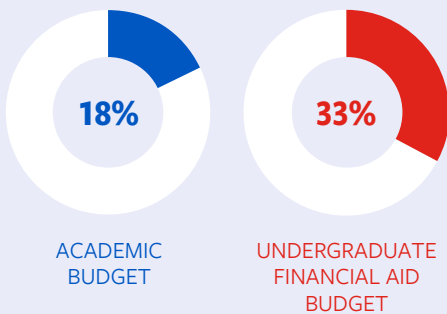


THE ENDOWMENT AT WORK: KEY HIGHLIGHTS

Endowment spending by purpose



Percentage of budgets supported by endowment spending



Endowment spending growth

Endowment spending has grown significantly over the years. This growth reflects the expansion of the endowment through philanthropy and investment returns over time, which has outpaced growth in the operating budget. As a result, the share of the academic budget supported by endowment spending has increased from 7% in 2005 to 13% in 2015 and to 18% in 2025.

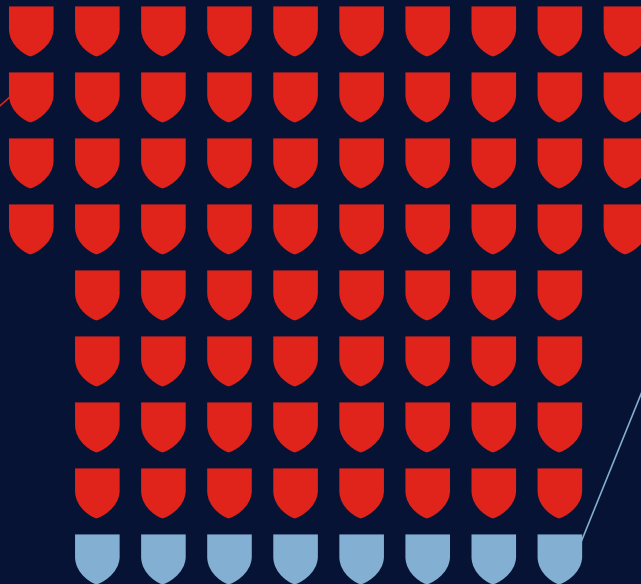
The Penn Endowment Funds

There are more than **8,000** individual funds that support activities at Penn.

90%

DONOR-RESTRICTED FUNDS

These funds can only be used for specifically designated purposes such as supporting financial aid, faculty positions, or research in particular fields. These donor restrictions are typically included in legally binding gift agreements.



10%

SCHOOL AND DEPARTMENT FUNDS

These functionally restricted funds are designated by the University's schools and departments for specific budgeting uses.



THE STRUCTURE OF THE ENDOWMENT

Penn's endowment comprises **more than 8,000 individual funds**. Donor gifts over the last two centuries seeded most of these individual endowment funds.

Each year, in accordance with the University's spending policy, approximately 5% of an endowment fund is distributed. That spending supports the fund's specified use, which typically was determined by the donor at the time the original gift was made.

Approximately 90% of individual endowment funds are donor-restricted.

- Spending from these funds must support the purpose designated by the original donor. The original principal amount must also remain intact over time.
- These donor-restricted accounts represent nearly half of the endowment's total value.

The remaining 10% of individual endowment funds are generally functionally restricted. These accounts represent slightly more than half of the endowment's total value. While these funds do not have restrictions specified by an original donor, they are restricted in other ways:

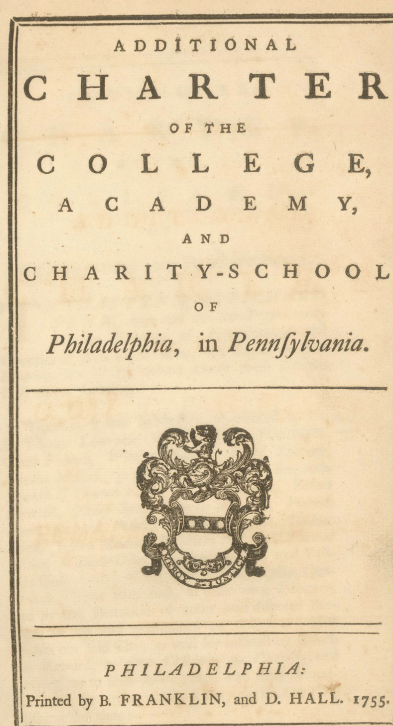
- Typically, various schools and centers own these funds. *For example, the University cannot use the School of Veterinary Medicine's endowment to support the Perelman School of Medicine, and vice versa.*
- Each functionally restricted fund typically has a specific budgeted purpose within its school or center. The expected spending from these funds is central to the financial planning for that school or center. *For example, the University cannot spend from a fund designated to support undergraduate financial aid to support cancer research, and vice versa.*



PENN'S OLDEST ENDOWED FUND

The University's oldest endowment still in existence is the John Keble Fund, established in 1809. Originally benefiting the Boys' Charity School (founded 1751), which was part of the original Penn Campus, it has a current market value of \$645,000.

Additional Charter of the College, Academy, and Charity School of Philadelphia, 1755 (version printed by Benjamin Franklin). University Archives



TRANSFORMATIONAL GIFT TO UNDERGRADUATE FINANCIAL AID

The William J. Levy Endowed Scholarship

A graduate of the Wharton School and the Law School, William J. Levy (1935–2023) established this scholarship in 1999 with an original gift of \$300,000 for undergraduate financial aid to students in the College of Arts & Sciences. He added to this fund during his lifetime and later named Penn as beneficiary of his estate, bringing his total contributions to this scholarship to over \$47 million. This fund will provide \$2.7 million in scholarship support to undergraduate students in the College in fiscal year 2026.

Starting in 2026, the William J. Levy Endowed Scholarship Fund will support more than 40 civic-minded students in the College annually, providing an opportunity for a Penn Arts & Sciences education.

GROWTH OF THE WILLIAM J. LEVY ENDOWED SCHOLARSHIP

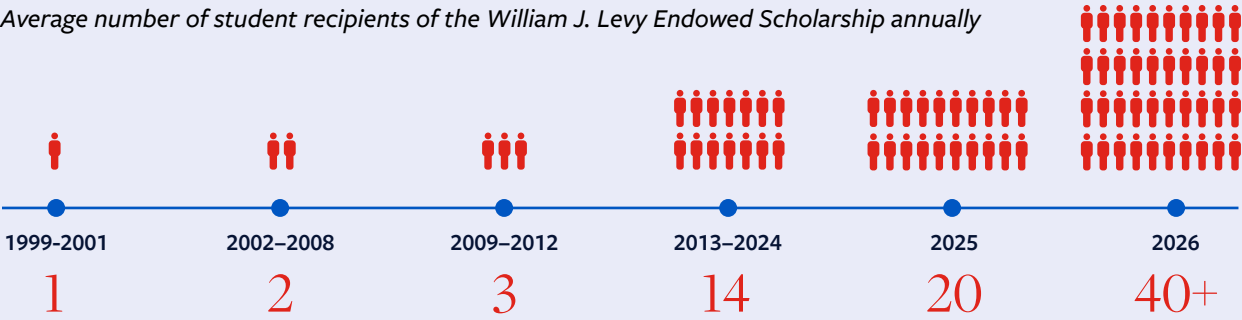


PHOTO BY ERIC SUCAR

STEWARDSHIP OF ENDOWMENT FUNDS

Thoughtful stewardship of the endowment is essential for its long-term sustainability. Investment strategy and spending policy must be closely coordinated and reflective of the endowment's perpetual purpose.

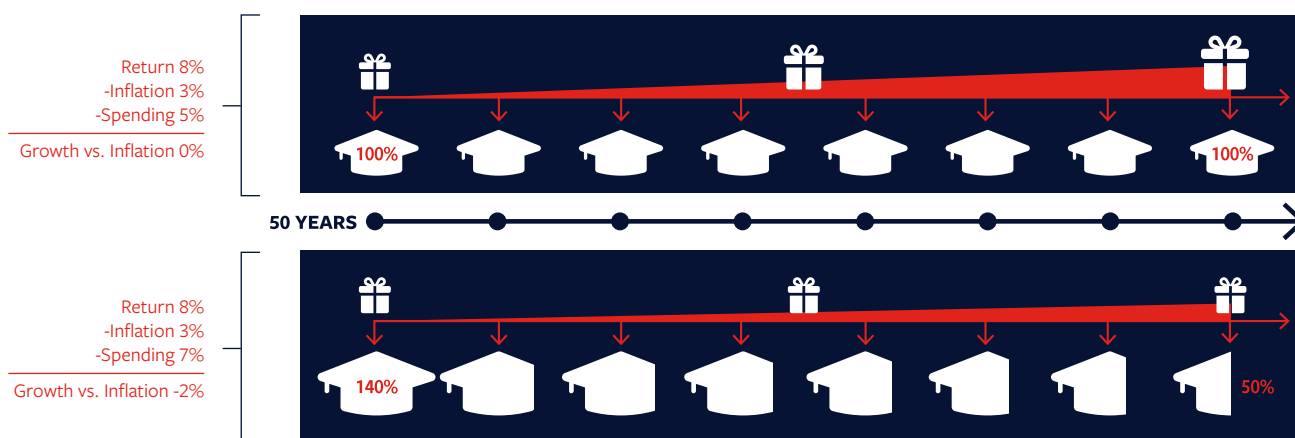
Penn seeks to generate strong long-term returns while carefully managing investment risk, to sustain the highest possible ongoing spending rate. This goal is achieved by investing in a diversified, equity-oriented portfolio that emphasizes strong returns rather than minimizing short-term volatility.

The University's Trustees set Penn's spending policy, incorporating a target spending rate of 5%. Informed by long-term market returns and inflation, this rate aligns with the endowment's investment strategy and the goal of preserving its purchasing power over time.

The endowment's investment returns must offset both annual spending and inflation. If the spending rate is set too high and exceeds what inflation-adjusted returns can support, the endowment's value will gradually erode. Conversely, a lower spending rate would favor future generations at the expense of those currently studying, teaching, and conducting research at Penn. The 5% target strikes a balance between current and future needs.

The Importance of Not Overspending

A **5% annual spending rate** allows the endowed gift to continue to support **100% of the scholarship** in every year.



A 7% annual spending rate would initially support 1.4 scholarships, but persistent 7% spending will mean the fund can only support one-half of a scholarship after 50 years.

Penn's spending policy is designed to smooth the effect of short-term fluctuations in investment performance on annual spending. Each year's endowment distribution is determined using two factors: the prior year's distribution and 5% of the endowment portfolio's current market value. This approach is consistent with Pennsylvania's Act 141, which establishes an important standard of prudent financial management for nonprofit institutions.

TRANSFORMATIONAL GIFT TO PENN MEDICINE

Lurie Family Gift to Launch the Lurie Autism Institute

The landmark \$50 million gift from the Lurie Family Foundation and the Nancy Lurie Marks Family Foundation to Penn Medicine and CHOP in June 2025 is the largest single donation to U.S. academic medical centers for autism research across the lifespan. Spearheaded by Jeffrey Lurie, Chairman and CEO of the Philadelphia Eagles and founder of the Eagles Autism Foundation, this ambitious, groundbreaking joint initiative connects scientists, clinicians, families, students, and donors through a global hub. The Institute will drive transformative discoveries for the more than 75 million people worldwide living with autism spectrum disorder, which in the U.S. affects one in 31 children and one in 45 adults. Endowed portions of the gift include a Lurie Professorship Fund, with the intended holder being the director of the Institute, and a Research Endowed Fund, to provide sustainable financial support for the Institute's research and programs. Meanwhile, spendable funds are supporting the Institute's growth in the early years of operations, including many foundational activities that are well underway.



Celebrating the naming of the Lurie Autism Institute in June 2025 were (left to right): CHOP CEO Madeline Bell, Philadelphia Mayor Cherelle Parker, Nancy Lurie Marks Foundation President Cathy Lurie (sister of Mr. Lurie), Eagles Chairman and CEO Jeffrey Lurie, Perelman School of Medicine Dean and Executive Vice President, University of Pennsylvania for the Health System Jonathan A. Epstein, First Lady of Pennsylvania Lori Shapiro, UPHS CEO Kevin Mahoney, and Lurie Autism Institute Interim Director Daniel Rader. (Photo courtesy Penn Medicine)

PLANNING FOR THE FUTURE

The endowment’s enduring value lies not in momentary performance or scale, but rather in its ability to provide steady, meaningful support across generations. Its lessons emerge over time: When managed with discipline, a scholarship gift can support a student every year into perpetuity. In contrast, spending that exceeds sustainable levels may expand support in the near term, but it ultimately erodes purchasing power and reduces the number of students, faculty, and programs that can benefit in the future.

Beginning in fiscal year 2027, a higher excise tax on net investment income will place new pressure on this shared resource and directly affect funding for financial aid, professorships, and research. In this evolving environment, discipline and long-term planning are more important than ever. Guided by long-standing principles of stewardship, the University remains focused on preserving the endowment’s strength so that it continues to advance Penn’s mission with consistency and purpose, now and in perpetuity.



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AS OF JUNE 30, 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, 2025 and 2024, 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, 2025 and 2024, 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 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 25, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

University of Pennsylvania
(in thousands)

	JUNE 30	
	2025	2024
ASSETS		
Cash and cash equivalents	\$ 2,955,426	\$ 2,718,541
Accounts receivable, net	2,119,034	1,964,265
Contributions receivable, net	347,393	351,766
Loans receivable, net	47,195	48,718
Other assets	1,379,132	1,245,754
Investments, at fair value	26,955,834	24,423,825
Property, plant and equipment, net	10,379,421	9,853,151
TOTAL ASSETS	\$ 44,183,435	\$ 40,606,020
LIABILITIES		
Accounts payable	\$ 436,488	\$ 492,916
Accrued expenses and other liabilities	4,241,348	3,937,162
Deferred income	196,288	193,456
Deposits and advances	174,776	178,751
Federal student loan advances	27,978	30,056
Accrued retirement benefits	469,488	546,916
Debt obligations	4,737,002	4,273,940
TOTAL LIABILITIES	10,283,368	9,653,197
NET ASSETS		
Without donor restrictions	21,438,999	19,554,631
With donor restrictions	12,461,068	11,398,192
TOTAL NET ASSETS	33,900,067	30,952,823
TOTAL LIABILITIES AND NET ASSETS	\$ 44,183,435	\$ 40,606,020

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, 2025 and 2024
(in thousands)

	2025	2024
WITHOUT DONOR RESTRICTIONS:		
REVENUE AND OTHER SUPPORT		
Tuition and fees, net	\$ 1,428,999	\$ 1,377,670
Commonwealth appropriations	36,740	3,190
Sponsored programs	1,403,768	1,408,679
Contributions and donor support	238,820	217,084
Investment income	1,261,899	1,229,250
Net patient service revenue	10,170,415	9,459,470
Other income	2,761,364	2,095,669
TOTAL REVENUE AND OTHER SUPPORT	17,302,005	15,791,012
EXPENSES		
Compensation and benefits	9,019,270	8,398,503
Depreciation and amortization	686,510	658,267
Interest on indebtedness	133,923	143,162
Other operating expenses	6,605,618	5,931,344
TOTAL EXPENSES	16,445,321	15,131,276
INCREASE IN NET ASSETS FROM OPERATIONS	856,684	659,736
NONOPERATING ACTIVITIES		
Return on investments, net of amounts classified as operating revenue	719,408	167,555
Pension, OPEB and other, net	107,227	(183,878)
Contributions and donor support for capital related activities	201,049	96,496
TOTAL NONOPERATING ACTIVITIES	1,027,684	80,173
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,884,368	739,909
WITH DONOR RESTRICTIONS:		
Contributions	518,349	433,223
Return on investments, net	1,255,255	720,149
Net assets released from restrictions	(710,728)	(694,328)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	1,062,876	459,044
INCREASE IN TOTAL NET ASSETS	2,947,244	1,198,953
Total net assets, beginning of year	30,952,823	29,753,870
TOTAL NET ASSETS, END OF YEAR	\$ 33,900,067	\$ 30,952,823

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, 2025 and 2024
(in thousands)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in total net assets	\$ 2,947,244	\$ 1,198,953
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Depreciation and amortization	668,155	640,460
Provision for bad debts	13,938	28,037
Gain on investments, net	(2,433,541)	(1,331,481)
(Gain) loss on disposal of property, plant and equipment	(10,296)	13,540
Donated equipment	-	(120)
Receipt of contributed securities	(57,577)	(94,432)
Proceeds from contributed securities	20,196	17,040
Receipt of contributions designated for the acquisition of long-lived assets and long-term investment	(463,452)	(307,338)
Pension, OPEB and other, net	(107,227)	183,878
Changes in operating assets and liabilities:		
Accounts and loans receivable	(101,348)	(171,025)
Contributions receivable	(599)	95,139
Other assets	(48,933)	(47,657)
Accounts payable, accrued expenses and accrued retirement benefits	136,249	361,093
Deposits and advances	(4,438)	(39,115)
Deferred income	2,832	3,750
NET CASH PROVIDED BY OPERATING ACTIVITIES	561,203	550,722
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(10,044,709)	(10,844,182)
Proceeds from sale of investments	10,147,909	10,350,265
Cash acquired in Penn Medicine Doylestown Health (PMDH) membership substitution	6,301	-
Proceeds from sale of Pennsylvania College of Health Sciences	-	21,972
Purchase of property, plant and equipment	(979,162)	(1,075,049)
NET CASH USED BY INVESTING ACTIVITIES	(869,661)	(1,546,994)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions received designated for the acquisition of long-lived assets and long-term investment	311,675	307,338
Proceeds from contributed securities received designated for the acquisition of long-lived assets and long-term investment	38,067	78,042
Federal student loan repayments	(2,078)	(2,700)
Repayment of debt obligations	(243,399)	(102,111)
Proceeds from issuances of debt obligations	550,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	654,265	280,569
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	345,807	(715,703)
Cash and cash equivalents, beginning of year	2,756,658	3,472,361
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,102,465	\$ 2,756,658
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents, Consolidated Statements of Financial Position	\$ 2,955,426	\$ 2,718,541
Cash included in Investments, at fair value	147,039	38,117
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,102,465	\$ 2,756,658
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 131,717	\$ 154,085
Increase (decrease) in accrued property, plant and equipment	29,634	(19,553)
Operating cash flows for operating leases	108,100	101,130
Right-of-use assets obtained in exchange for lease liabilities	136,009	126,803
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	2025	2024
Contributions and donor support	\$ 171,907	\$ 152,033
Investment income	462,725	445,799
Contributions and donor support for capital related activities	76,096	96,496
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 710,728	\$ 694,328
NET ASSETS WITH DONOR RESTRICTIONS	2025	2024
Net assets released from restrictions	\$ (710,728)	\$ (694,328)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2025 and 2024. 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 maturities of three months or less, which would be considered Level 1 investments under the fair value hierarchy. All short-term, highly liquid investments, otherwise qualifying as cash equivalents or restricted cash equivalents, included in the University's investments are treated as Investments, at fair value and are therefore excluded from Cash and cash equivalents 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The University, in the normal course of business, utilizes derivative financial instruments in connection with its investment activity. Derivatives utilized by the University include futures, options, swaps and forward currency contracts and are reflected at fair value following the definition of Level 1 and 2 assets and liabilities as previously described. Investments in derivative contracts are subject to foreign exchange and equity price risks that can result in a loss of all or part of an investment. In addition, the University is also subject to additional counterparty risk should its counterparties fail to meet the terms of their contracts.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Endowment

The University's endowment consists of 7,978 donor-restricted endowment funds and 1,008 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 a nonprofit 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 2025, 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 5% target spending rate for all funds. The payout or allocation to operations exceeded actual income, net of expenses, by \$1,124,209,000 and \$1,063,415,000 in 2025 and 2024, 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 made to donors and/or other beneficiaries in accordance with the respective agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 expense 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 activities and income are subject to both city and federal “Unrelated Business Income 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 executive compensation and net investment income, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30, 2025 and 2024, a liability of \$99,049,000 and \$75,573,000, respectively, was reported in Accrued expense 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 and effective to the University for Fiscal Year 2026, expands these provisions by applying the 21% executive compensation excise tax to all current or former employees earning over \$1,000,000 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 is currently evaluating the impact that the OBBBA will have on the consolidated financial statements.

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 \$461,578,000 and \$446,713,000 in 2025 and 2024, 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, 2025, the University has unrecorded conditional agreements of \$2,268,797,000. In 2025 and 2024, sponsored programs revenue earned from governmental sources totaled \$1,112,292,000 and \$1,057,875,000, 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 includes 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The University reports unconditional pledges at fair value by discounting future cash flows using current market rates at the measurement date, ranging from 4.14% to 5.06%, 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 June 2016, the FASB issued a standard entitled Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. This standard replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including trade receivables and loan receivables. Financial assets measured at amortized cost must be presented at the net amount expected to be collected using an allowance for credit losses. The University adopted this standard for fiscal year 2024 using a modified retrospective basis. The adoption of this standard did not materially impact the University's results of operations or financial position.

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 \$419,275,000 and \$32,882,000 in 2025 and 2024, respectively, to further the research and educational activities of PSOM, and \$10,561,000 and \$10,460,000 in 2025 and 2024, respectively, for other activities. Of the fiscal year 2025 transfers, \$279,076,000 relates to fixed assets transferred to the University.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2025 and 2024 (in thousands):

	2025	2024
Net patient service revenue	\$ 10,204,994	\$ 9,476,064
Other revenue and support	1,790,620	1,423,016
Total expenses	(11,748,880)	(10,620,592)
Excess of revenue over expenses from operations	246,734	278,488
Nonoperating, net	439,959	98,078
INCREASE IN NET ASSETS	\$ 686,693	\$ 376,566
Total current assets	\$ 2,947,979	\$ 2,888,805
Assets whose use is limited:		
Held by trustees	233,967	194,157
RRG/ Captive	226,557	198,270
Donor restricted and other	969,503	883,041
Designated	4,656,777	4,143,174
Property and equipment, net	5,923,950	5,947,846
Investments and other assets	1,079,564	914,107
TOTAL ASSETS	\$ 16,038,297	\$ 15,169,400
Total current liabilities	\$ 1,750,520	\$ 1,604,344
Long-term debt, net of current portion	2,470,601	2,387,907
Other liabilities	1,796,904	1,843,570
TOTAL LIABILITIES	\$ 6,018,025	\$ 5,835,821
Net assets		
Without donor restrictions	\$ 9,038,446	\$ 8,443,852
With donor restrictions	981,826	889,727
TOTAL NET ASSETS	\$ 10,020,272	\$ 9,333,579
TOTAL LIABILITIES AND NET ASSETS	\$ 16,038,297	\$ 15,169,400

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 Associated 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 restriction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 and June 30, 2024, as if the affiliation had occurred on July 1, 2023, is as follows (unaudited, in thousands):

	2025	2024
Total operating revenues	\$ 12,331,967	\$ 11,345,910
Total operating expenses	12,112,044	11,073,302
OPERATING INCOME	\$ 219,923	\$ 272,608
Nonoperating activity, net	356,397	106,145
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 576,320	\$ 378,753

Net Patient Service Revenue

Net Patient Service Revenue (NPSR) for the years ended June 30, 2025 and 2024 is derived from the following payers:

	2025	2024
Medicare (including Managed Medicare)	35%	35%
Medicaid (including Managed Medicaid)	12%	12%
Managed care	41%	34%
Independence Blue Cross (IBC)	9%	15%
Commercial	2%	3%
Self pay	1%	1%
	100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 effected 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 has been 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 was subsequently extended through June 30, 2025, consolidated all prior existing agreements across all UPHS regions and entities. Further, extensive new value-based payment models were layered on top of the existing fee-for-service framework. This agreement will roll over for another extension year through June 30, 2026.

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. Of the Total expenses reported above by UPHS, an estimated \$63,785,000 and \$47,171,000 were incurred as a result of providing services to charity patients for the years ended June 30, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2.25% discount rate as of June 30, 2025 and 2024. The gross liability recorded under this program is \$856,770,000 and \$891,479,000 at June 30, 2025 and 2024, respectively, with a corresponding receivable of \$204,355,000 and \$204,156,000 at June 30, 2025 and 2024, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable are reported at their net realizable value. The major components of receivables, net of expected credit losses of \$49,629,000 and \$50,693,000 at June 30, 2025 and 2024, respectively, are as follows (in thousands):

	2025	2024
Patient	\$ 1,352,514	\$ 1,223,255
Intellectual property	49,899	39,287
Sponsored research	191,151	195,195
Malpractice	204,355	204,156
Trade	66,481	57,783
Student	30,599	26,378
Other	224,035	218,211
TOTAL ACCOUNTS RECEIVABLE, NET	\$ 2,119,034	\$ 1,964,265

4. LOANS RECEIVABLE

Loans receivable, and related allowances for expected credit losses, consist of the following at June 30, 2025 and 2024 (in thousands):

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

2024

	Receivable	Allowance	Net
Student Loans:			
Federally-sponsored	\$ 25,171		\$ 25,171
Other	10,294	\$ 2,688	7,606
Total Student loans	\$ 35,465	\$ 2,688	\$ 32,777
Other	16,530	589	15,941
TOTAL	\$ 51,995	\$ 3,277	\$ 48,718

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, 2025 and 2024, is as follows (in thousands):

	2025	2024
Unconditional promises expected to be collected in:		
Less than one year	\$ 109,390	\$ 144,796
One year to five years	155,787	216,218
Over five years	218,177	81,676
	483,354	442,690
Less: Discount	(95,183)	(49,508)
Less: Allowances for doubtful amounts	(40,778)	(41,416)
TOTAL CONTRIBUTIONS RECEIVABLE, NET	\$ 347,393	\$ 351,766

At June 30, 2025 and 2024, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of \$527,951,000 and \$523,158,000, 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, 2025 and 2024, categorized in accordance with the fair value hierarchy, is as follows (in thousands):

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2024	Level 1	Level 2	Level 3	Investments at NAV	Total
Short-term	\$ 1,073,755				\$ 1,073,755
Public equity	1,016,961			\$ 4,545,577	5,562,538
Debt:					
US treasuries	1,281,471	\$ 2,951			1,284,422
Corporate bonds	5,031	14,628			19,659
Total Debt	1,286,502	17,579			1,304,081
Split-interest agreements	89,003		\$ 402,723		491,726
Absolute return				4,698,948	4,698,948
Real assets	69	59		2,804,981	2,805,109
Private equity			64,476	8,419,307	8,483,783
Derivative instruments		1,348			1,348
Other			2,537		2,537
TOTAL INVESTMENTS, AT FAIR VALUE	\$ 3,466,290	\$ 18,986	\$ 469,736	\$ 20,468,813	\$ 24,423,825

Included in Short-term investments is \$34,077,000 and \$12,313,000 of amounts held by trustees under indenture and escrow agreements at June 30, 2025 and 2024, respectively.

At June 30, 2025 and 2024, Short-term investments include \$38,366,000 and \$25,531,000, respectively, of outstanding receivables from trading activities. At June 30, 2025 and 2024, Short-term investments also include \$30,876,000 and \$19,084,000, respectively, of outstanding payables from trading activities.

Liabilities related to equity short positions of \$579,403,000 and \$668,420,000 at June 30, 2025 and 2024, respectively, are reported in Accrued expenses and other liabilities on the Consolidated Statements of Financial Position. These liabilities are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets.

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 the Academic Component charitable gift annuities totaling \$50,540,000 and \$45,939,000 at June 30, 2025 and 2024, respectively. Included in these split-interest agreement investments are amounts held to meet legally mandated annuity reserves of \$26,417,000 and \$25,200,000 as of June 30, 2025 and 2024, 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, 2025 and 2024 is as follows (in thousands):

	2025	2024
Charitable remainder trusts	\$ 17,460	\$ 16,900
Charitable lead trusts	2,900	3,058
Perpetual trusts	424,248	382,765
TOTAL	\$ 444,608	\$ 402,723

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes to the reported amounts of split-interest agreement investments measured at fair value using unobservable (Level 3) inputs as of June 30, 2025 and 2024 are as follows (in thousands):

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

2024	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2023	\$ 16,553	\$ 4,119	\$ 346,148	\$ 366,820
Net realized gains (losses)			6,950	6,950
Net unrealized gains (losses)	347	(1,053)	28,240	27,534
Acquisitions			3,673	3,673
Liquidations		(8)	(2,246)	(2,254)
June 30, 2024	\$ 16,900	\$ 3,058	\$ 382,765	\$ 402,723

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, 2025 and 2024 (in thousands):

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

2024	Notional Amount	Gross Derivative Assets	Gross Derivative Liabilities	Derivative Gains (Losses)
Foreign currency contracts	\$ 247,853	\$ 44	\$ 17,926	\$ (40,757)
Options contracts	49,471	1,304	162	(660)
TOTAL	\$ 297,324	\$ 1,348	\$ 18,088	\$ (41,417)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The notional amount is representative of the volume and activity of the respective derivative type during the years ended June 30, 2025 and 2024.

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.

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):

Strategy	Fair Value at June 30,		Outstanding Commitments	Redemption Terms	Redemption Restrictions
	2025	2024			
Short-term	\$ 1,335,029	\$ 1,073,755		Daily	None
Public equity:					
Managed accounts	830,944	744,263		Daily and semi-annually with varying notice periods	None
Mutual funds	293,217	272,700		Daily	None
Private funds (1)	4,832,398	4,545,575	\$ 52,542	Weekly to annually with varying notice periods	Lock-up provisions ranging from 0 to 5 years and side pocket investments (2)
Total Public equity	5,956,559	5,562,538	52,542		
Debt:					
Managed accounts	1,217,858	1,304,081		Daily	None
Total Debt	1,217,858	1,304,081			
Absolute return	5,288,194	4,698,948	501,485	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	9,734,428	8,483,783	3,078,232	Close-ended funds not available for redemption	Close-ended funds not available for redemption
Real assets:					
Private funds (1)	2,865,164	2,805,109	1,144,825	Close-ended funds not available for redemption	Close-ended funds not available for redemption
TOTAL	\$ 26,397,232	\$ 23,928,214	\$ 4,777,084		

(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 18 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 \$232,987,000 and \$216,607,000 at June 30, 2025 and 2024, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$4,777,084,000 which represents 19.6% of the AIF value as of June 30, 2025.

A summary of the University's total investment return, net of external and direct internal investment expenses, for the years ended June 30, 2025 and 2024 is presented below (in thousands):

	2025	2024
AIF investment income	\$ 152,385	\$ 121,399
AIF realized and unrealized gains (losses)	2,472,150	1,327,016
Total return on AIF	2,624,535	1,448,415
Other investment gains (losses)	149,303	222,740
TOTAL RETURN ON INVESTMENTS, NET	\$ 2,773,838	\$ 1,671,155

7. ENDOWMENT

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The composition and changes to the amount of the University's endowment at June 30, 2024 are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$ 10,345,624	\$ 10,345,624
Quasi-endowment funds	\$ 12,002,324		12,002,324
JUNE 30, 2024	\$ 12,002,324	\$ 10,345,624	\$ 22,347,948

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2023	\$ 11,044,431	\$ 9,918,510	\$ 20,962,941
Investment return	773,383	675,954	1,449,337
New gifts	2,527	214,250	216,777
Allocation of endowment assets for expenditure	(1,063,415)		(1,063,415)
Other investment allocation	(8,638)		(8,638)
Transfers to create board designated funds	797,511		797,511
Donor-imposed income reinvestments		50,472	50,472
Other transfers	11,137	(68,174)	(57,037)
Released from restriction	445,388	(445,388)	-
NET ASSETS, JUNE 30, 2024	\$ 12,002,324	\$ 10,345,624	\$ 22,347,948

At June 30, 2025 and 2024, the aggregate amount of funds reported in Net assets with donor restrictions for which the fair value was below historic value was \$107,000 and \$8,157,000, respectively.

8. PROPERTY, PLANT AND EQUIPMENT, NET

The components of PPE at June 30, 2025 and 2024 are as follows (in thousands):

	Estimated Useful Life in years	2025	2024
Land and land improvements	N/A to 20	\$ 468,246	\$ 448,388
Buildings and fixed equipment	5 to 50	15,422,188	14,116,732
Moveable equipment and other	4 to 20	2,705,849	2,603,148
Construction-in-progress		760,649	1,047,898
		19,356,932	18,216,166
Less: Accumulated depreciation		(8,977,511)	(8,363,015)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		\$ 10,379,421	\$ 9,853,151

The University recorded \$686,510,000 and \$656,709,000 of depreciation expense for the years ended June 30, 2025 and 2024, respectively.

The University capitalized \$23,665,000 and \$10,757,000 of interest costs for the years ended June 30, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. SPLIT-INTEREST AGREEMENTS

Changes in the value of assets, liabilities and net assets pursuant to split-interest agreements as of June 30, 2025 and 2024 are as follows (in thousands):

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

2024		Assets		Liabilities		Net Assets
June 30, 2023	\$	450,069	\$	(43,425)	\$	406,644
New contributions		7,298		(4,774)		2,524
Investment income		2,061		(1,757)		304
Realized and unrealized gain, net		41,570				41,570
Payments and settlements		(9,272)		8,885		(387)
Actuarial adjustment				(3,484)		(3,484)
NET CHANGE		41,657		(1,130)		40,527
June 30, 2024	\$	491,726	\$	(44,555)	\$	447,171

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 \$12,571,000 and \$7,769,000 at June 30, 2025 and 2024, 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 \$2,360,000 and \$2,306,000 at June 30, 2025 and 2024, 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, 2025, approximately \$452,073,000 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 \$389,697,000 and \$359,933,000 as of June 30, 2025 and 2024, 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 \$23,623,000 and \$22,409,000 as of June 30, 2025 and 2024, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2025 and 2024 (in thousands):

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2024		Pension Benefits		Other Postretirement Benefits		Total
CHANGE IN BENEFIT OBLIGATION:						
Benefit obligation, beginning of year (PBO/APBO)	\$	3,135,524	\$	834,848	\$	3,970,372
Service cost		43,993		26,152		70,145
Interest cost		167,447		45,734		213,181
Plan participants' contributions		142		12,484		12,626
Net actuarial (gain)/loss		6,106		(4,982)		1,124
Benefits paid		(137,035)		(57,461)		(194,496)
Benefit obligation, end of year (PBO/APBO)	\$	3,216,177	\$	856,775	\$	4,072,952
CHANGE IN PLAN ASSETS:						
Fair value of plan assets, beginning of year	\$	3,117,393	\$	755,930	\$	3,873,323
University contributions		19,060		32,629		51,689
Plan participants' contributions		142		12,484		12,626
Actual return on plan assets		(37,114)		67,674		30,560
Benefits paid		(137,035)		(57,461)		(194,496)
Fair value of plan assets, end of year	\$	2,962,446	\$	811,256	\$	3,773,702
FUNDED STATUS, END OF YEAR	\$	253,731	\$	45,519	\$	299,250
Other retirement programs						170,720
						469,970
Plan with fair value of plan assets in excess of PBO/APBO*						76,946
ACCRUED RETIREMENT BENEFITS					\$	546,916

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

The Accumulated Benefit Obligation for the Pension Benefits was \$3,081,337,000 and \$3,010,626,000 at June 30, 2025 and 2024, respectively.

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. For the year ended June 30, 2024, the primary driver of the net actuarial loss in the Benefit Obligations for Pension Benefits was participant demographic changes, and the primary driver of the net actuarial gain in Benefit Obligations for Other Postretirement Benefits was an increase in the weighted average discount rates from 5.59% to 5.73%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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

2024		Pension Benefits	Other Postretirement Benefits	Total
Service cost	\$	43,993	\$ 26,152	\$ 70,145
Interest cost		167,447	45,734	213,181
Expected return on plan assets		(190,489)	(60,393)	(250,882)
Amortization of:				
Net prior service cost/(credit)			(325)	(325)
Net losses		618	(7,720)	(7,102)
NET PERIODIC BENEFIT COST	\$	21,569	\$ 3,448	\$ 25,017

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):

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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2024		Pension Benefits		Other Postretirement Benefits		Total
NET ASSETS WITHOUT DONOR RESTRICTIONS:						
Net actuarial (gain)/loss	\$	218,321	\$	(204,670)	\$	13,651
Net prior service cost/(credit)				(997)		(997)
Total	\$	218,321	\$	(205,667)	\$	12,654
ADJUSTMENT TO NET ASSETS WITHOUT DONOR RESTRICTIONS (GAIN)/LOSS						
	\$	233,090	\$	(4,084)	\$	229,006

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	2025	2024	2025	2024
Discount rate	5.77%	5.60%	5.86%	5.73%
Salary increase	2.87%	3.18%	N/A	N/A
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST	2025	2024	2025	2024
Discount rate	5.58%	5.47%	5.74%	5.59%
Expected long-term return on plan assets	6.38%	6.31%	8.00%	8.00%
Salary increase	3.19%	3.20%	N/A	N/A
ASSUMED HEALTH CARE COST TREND RATES				
Initial trend rate	N/A	N/A	6.56%	6.46%
Ultimate trend rate	N/A	N/A	4.93%	4.69%
Fiscal year end that ultimate trend rate is reached	N/A	N/A	2049	2048

Expected Contributions

The University expects to contribute \$38,144,000 and \$32,093,000 for pension benefits and other postretirement benefits, respectively, during the fiscal year ending June 30, 2026.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2026	\$ 180,180	\$ 38,239	\$ 29
June 30, 2027	187,325	40,746	32
June 30, 2028	195,207	43,339	35
June 30, 2029	204,571	45,737	37
June 30, 2030	211,418	48,426	38
June 30, 2031 to June 30, 2035	1,145,669	281,385	200

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, 2025 and 2024, is as follows (in thousands):

Pension Benefits:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2024	Level 1	Level 2	Level 3	Investments at NAV	Total
ASSETS:					
Short-term	\$ 74,215			\$ 74,215	
Public equity	28,747		\$ 201,616	230,363	
Debt:					
US treasuries	1,452,511			1,452,511	
Corporate bonds	17,827	\$ 26,866		44,693	
Absolute return				468,861	468,861
Real assets	729			146,070	146,799
Private equity				545,004	545,004
FAIR VALUE OF PLAN ASSETS, END OF YEAR	\$ 1,574,029	\$ 26,866	\$ -	\$ 1,361,551	\$ 2,962,446

Other Postretirement Benefits:

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

2024	Level 1	Level 2	Level 3	Investments at NAV	Total
ASSETS:					
Short-term	\$ 43,431			\$ 43,431	
Public equity	8,592		\$ 202,645	211,237	
Debt:					
US treasuries	16,817			16,817	
Absolute return				249,643	249,643
Real assets	35,320			77,227	112,547
Private equity				177,619	177,619
Total assets	\$ 104,160	\$ -	\$ -	\$ 707,134	\$ 811,294
LIABILITIES:					
Derivative instruments		\$ 38		\$ 38	
Total liabilities	\$ -	\$ 38	\$ -	\$ -	\$ 38
FAIR VALUE OF PLAN ASSETS, END OF YEAR	\$ 104,160	\$ (38)	\$ -	\$ 707,134	\$ 811,256

As of June 30, 2025, the University has unfunded commitments to limited partnerships totaling \$364,859,000, which are expected to be called over the next 5 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan asset allocations by category are as follows:

2025 Allocation of Plan Assets	Pension Benefits		Other Postretirement Benefits	
	Target	Actual	Target	Actual
Short-term	0.0%	4.3%	0.0%	3.6%
Public equity	7.0%	6.3%	25.0%	27.0%
Debt:				
US treasuries	50.0%	49.6%	5.0%	1.0%
Corporate bonds	0.0%	0.6%	0.0%	0.0%
Absolute return	17.0%	15.0%	30.0%	29.9%
Real assets	5.0%	5.1%	15.0%	14.9%
Private equity	21.0%	19.1%	25.0%	23.6%
TOTAL	100.0%	100.0%	100.0%	100.0%

12. DEBT OBLIGATIONS

Debt obligations at June 30, 2025 and 2024 are as follows (in thousands):

		Effective Interest Rate at		
	Final Maturity	June 30, 2025	2025	2024
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	-
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	166,640
Series A of 2017 revenue bonds	08/2046	2.39% - 3.72%	174,000	178,395
Series A of 2016 revenue bonds	08/2041	1.86% - 2.93%	111,190	112,230
Series A of 2015 revenue bonds	10/2045	2.26% - 2.63%	22,670	28,300
Series B of 2015 revenue bonds	10/2038	2.26% - 3.38%	110,740	123,835
Series C of 2015 revenue bonds	10/2035	3.68%	8,020	8,020
Tax-Exempt Commercial Paper	08/2025	2.84% - 3.07%	100,000	-
Other loans	05/2031	3.00% - 5.86%	11,403	11,751
Variable rate debt obligation:				
Washington County Authority Series of 2004	07/2034	1.70%	34,500	37,600
Total Academic Component outstanding bonds payable			2,135,298	1,780,356
Unamortized issuance costs, premiums and discounts, net			52,130	41,557
Total Academic Component debt obligations			\$ 2,187,428	\$ 1,821,913

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UPHS:	Final Maturity	Effective		
		Interest Rate at		
		June 30, 2025	2025	2024
<u>Fixed rate debt obligations:</u>				
Lancaster County Hospital Authority (LCHA)				
Series A of 2016 revenue bonds	08/2042	2.28% - 3.52%	\$ 132,745	\$ 137,960
Series B of 2016 revenue bonds	08/2046	2.36% - 3.58%	99,105	99,105
PHEFA				
Series A of 2021 revenue bonds	08/2044	1.61% - 2.11%	79,810	79,810
Series B of 2021 revenue bonds	08/2042	1.10% - 2.70%	93,045	101,470
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	1.70% - 3.08%	86,660	110,840
Series A of 2015 revenue bonds	08/2045	2.58% - 4.00%	169,560	182,200
New Jersey Health Care Facilities Financing Authority (NJHCFFA)				
Princeton Healthcare System Series A of 2016	07/2039	2.61% - 3.88%	144,590	150,985
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%	58,125	-
Series A of 2019 revenue bonds	07/2049	3.47% - 3.85%	52,880	-
Series A of 2016 revenue bonds	07/2046	2.56% - 3.57%	39,690	-
Series A of 2013 revenue bonds	07/2029	3.87% - 4.19%	9,970	-
Lancaster General Hospital 2015 Taxable Note	08/2032	2.25%	54,794	57,650
Lines of credit, draw	04/2028	4.77%	9,240	-
Mortgages, notes and other	Various	Various	80,448	85,018
<u>Variable rate debt obligations:</u>				
PHEFA Series A of 2008 revenue bonds	01/2038	1.88%	69,995	69,995
NJHCFFA Princeton Healthcare System Series B of 2016	07/2045	4.02%	65,000	65,000
NJHCFFA Princeton Healthcare System Series C of 2016	07/2045	4.06%	20,000	20,000
Total UPHS outstanding bonds payable			2,400,527	2,294,903
Unamortized issuance costs, premiums and discounts, net			149,047	157,124
Total UPHS debt obligations			2,549,574	2,452,027
TOTAL ACADEMIC AND UPHS DEBT OBLIGATIONS			\$ 4,737,002	\$ 4,273,940

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

Fiscal Year	Academic Component	UPHS	Total
2026	\$ 130,945	\$ 78,973	\$ 209,918
2027	31,247	72,608	103,855
2028	32,629	69,198	101,827
2029	34,197	62,954	97,151
2030	37,025	65,925	102,950
Thereafter	1,869,255	2,050,869	3,920,124
Total Principal	2,135,298	2,400,527	4,535,825
Unamortized issuance costs, premiums & discounts	52,130	149,047	201,177
TOTAL DEBT OBLIGATIONS	\$ 2,187,428	\$ 2,549,574	\$ 4,737,002

To secure certain self-insured liabilities, the University has letters of credit with various financial institutions totaling \$18,058,000 and \$10,168,000 at June 30, 2025 and 2024, respectively, of which \$11,395,000 and \$3,697,000 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$100,000,000 as of June 30, 2025.

On February 5, 2025, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued its Series A of 2025 revenue bonds (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 Series A of 2025 is fixed with coupon rates ranging between 4.25% and 5.00%.

The University has variable rate debt in the amount of \$34,500,000 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, 2025 and 2024. The following table summarizes the amounts and maturities of the lines of credit as of June 30, 2025 (in thousands):

Final Maturity	Amount
06/2026	\$ 100,000
06/2026	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 2025 and 2024, UPHS met its debt service coverage requirement under the MTI. Additionally, UPHS has pledged its gross revenues to secure its obligation under the MTI.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 a line of credit to supplement liquidity and issue letters of credit to cover balances due on construction projects and reinsurance agreements. The following table summarizes the amount and maturity of the line of credit as of June 30, 2025 (in thousands):

Final Maturity	Amount		Drawn
04/2028	\$	100,000	\$ 9,240
TOTAL	\$	100,000	\$ 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	\$	85,525	\$ 18,050
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, 2025 and 2024, and the related gains on the interest rate swap agreements, both realized and unrealized, for the years ended June 30, 2025 and 2024 (in thousands):

Line Item	2025	2024
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:		
Liability interest rate swaps:		
Academic Component		
Accrued expenses and other liabilities	\$ 4,352	\$ 3,640
UPHS		
Accrued expenses and other liabilities	1,736	1,638
TOTAL LIABILITY INTEREST RATE	\$ 6,088	\$ 5,278
CONSOLIDATED STATEMENTS OF ACTIVITIES:		
Academic Component		
Return on investments, net	\$ (1,051)	\$ 1,509
UPHS		
Return on investments, net	(95)	(605)
TOTAL	\$ (1,146)	\$ 904

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. NET ASSETS

The major components of net assets at June 30, 2025 and 2024 are as follows (in thousands):

	Without donor		With donor		
	Restrictions		Restrictions		Total
2025					
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
2024					
General operating	\$	7,515,390	\$	876,057	\$ 8,391,447
Sponsored programs		31,795			31,795
Capital				118,511	118,511
Student loans		5,122			5,122
Planned giving agreements				58,000	58,000
Quasi-endowment		12,002,324			12,002,324
Endowment, subject to spending rule				4,976,257	4,976,257
Endowment, held in perpetuity				5,369,367	5,369,367
TOTAL NET ASSETS	\$	19,554,631	\$	11,398,192	\$ 30,952,823

14. OTHER INCOME

The components of Other income for the years ended June 30, 2025 and 2024, are as follows (in thousands):

	2025	2024
Commercialization of intellectual property*	\$ 560,928	\$ 306,799
UPHS ambulatory pharmacy	1,443,726	1,091,816
Other	756,710	697,054
TOTAL OTHER INCOME	\$ 2,761,364	\$ 2,095,669

*Net of distributions to external parties

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. LEASES

The University leases research labs and office space under operating leases expiring through December 2037. 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, 2025 and 2024, Right-of-Use assets recorded in Other assets were \$619,995,000 and \$521,509,000, respectively, and Lease liabilities recorded in Accrued expenses and other liabilities were \$648,403,000 and \$544,057,000, respectively. At June 30, 2025, the weighted average remaining lease term was 9.8 years and the weighted average discount rate was 3.4%. At June 30, 2024, the weighted average remaining lease term was 8.6 years and the weighted average discount rate was 2.8%. Rental expense, for the years ended June 30, 2025 and 2024, totaled \$168,853,000 and \$160,679,000 (including amortizations related to Right-of-Use assets and Lease liabilities of \$94,966,000 and \$92,156,000), respectively. Rental expense is included in Other operating expenses on the Consolidated Statements of Activities.

Future maturities of total lease liabilities at June 30, 2025 are as follows (in thousands):

Year ending June 30,		
2026	\$	111,275
2027		93,312
2028		86,077
2029		80,942
2030		73,464
Thereafter		351,500
Total lease payments	\$	796,570
Less imputed interest		(148,167)
TOTAL FUTURE LEASE PAYMENTS	\$	648,403

16. FUNCTIONAL CLASSIFICATION OF EXPENDITURES

Expenses for the years ended June 30, 2025 and 2024 are categorized on a functional basis as follows (in thousands):

	Instruction, student services & academic support	Hospital & physician practices	Research	Institutional support	Enterprises & independent operations	Total
2025						
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2024	Instruction, student services & academic support	Hospital & physician practices	Research	Institutional support	Enterprises & independent operations	Total
Compensation and benefits	\$ 1,384,511	\$ 5,714,740	\$ 692,138	\$ 341,948	\$ 265,166	\$ 8,398,503
Depreciation and amortization	96,590	416,553	53,588	22,716	68,820	658,267
Interest on indebtedness	16,191	88,357	25,321	192	13,101	143,162
Other operating expense	706,759	4,384,681	497,321	116,906	225,677	5,931,344
Total operating expense	2,204,051	10,604,331	1,268,368	481,762	572,764	15,131,276
Non-service net periodic benefit cost	(7,442)	(30,705)	(3,719)	(1,837)	(1,425)	(45,128)
TOTAL	\$ 2,196,609	\$ 10,573,626	\$ 1,264,649	\$ 479,925	\$ 571,339	\$ 15,086,148

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, 2025 and 2024, 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):

	2025	2024
Financial assets:		
Cash & cash equivalents	\$ 2,955,426	\$ 2,718,541
Receivables, net	1,917,694	1,763,832
Pledge payments available for operations	56,382	72,710
Investments	8,871,495	7,993,370
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	13,800,997	12,548,453
Liquidity resources:		
Bank lines of credit	675,170	196,303
Tax-exempt commercial paper	100,000	-
TOTAL FINANCIAL ASSETS AND LIQUIDITY RESOURCES AVAILABLE WITHIN ONE YEAR	\$ 14,576,167	\$ 12,744,756

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. A tax-exempt commercial paper program is also utilized as needed for capital expenditures. 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, 2025 through September 25, 2025, the date the consolidated financial statements were issued.

On July 10, 2025, Series A of 2025 bonds were issued for \$318,525,000, of which \$77,097,000 was used to redeem a portion of the PHEFA Series A of 2015 bonds. In addition to the refunding, the bonds provided \$249,657,000 of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 expenditure with the remaining held for future expenditures.

In order to support health system liquidity, UPHS increased the amount available under the current revolving line of credit to \$200,000,000 in July 2025 and established a second revolving line of credit totaling \$100,000,000 in September 2025. In addition, UPHS established a taxable commercial paper program in August 2025 with a maximum authorized amount of \$300,000,000.

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



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Produced by Annie Weinstein,
Director of Communications, Division of Finance

Edited by Alison Rooney Communications

Designed by WFGD Studio