



HARVARD
UNIVERSITY

Financial Report

FISCAL YEAR 2024

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Message from the President

I am pleased to submit Harvard University's financial results for fiscal year 2024.

This annual accounting offers a broad financial perspective on our core mission of teaching, learning, and research, and gives a glimpse of what we accomplish as a community committed to those ends. Last year was not an ordinary one. Yet it was typical in important ways: In classrooms and laboratories, students faced challenges and found inspiration; researchers and students pursued, expanded, and disseminated knowledge in nearly every field and discipline; and news of discoveries and breakthroughs from every corner of the University came daily. Our faculty and students garnered some of the world's most coveted academic accolades—one Nobel and ten Rhodes among them—as our Harvard Olympians and Paralympians prepared to compete in Paris. For me, the excellence of our community, especially during a challenging period for the University, was an ever-present source of optimism and pride.

Our institutional strength supports that excellence every day. We at Harvard are incredibly fortunate to have at our disposal resources of extraordinary diversity that support and speed our work—from cutting-edge equipment in our facilities to unmatched collections in our libraries and museums to one-of-a-kind sites for academic research on our campus and far beyond it. Around the world and at home in Harvard Yard, we find ourselves heirs to centuries of generosity motivated, in part, by the promise of perpetual contributions to knowledge and progress. And, year after year, our thoughtful stewardship of physical and financial resources ensures their endurance for generations to come.

Despite the superlatives they invite, our resources are not our greatest strength. Our community is what matters most. That is why its renewal and care are paramount, and why we have launched efforts to

understand where and how we can improve. Our task forces to combat antisemitism and anti-Israel bias, and anti-Arab, anti-Muslim, anti-Palestinian bias are focused on rebuilding not only a sense of belonging but also genuine acceptance among members of our community. Our Institutional Voice Working Group and our Open Inquiry and Constructive Dialogue Working Group have outlined paths to more meaningful communication and constructive disagreement. Our future as an institution depends, in part, on our ability to reinvigorate a robust culture in which ideas are exchanged freely in a spirit of mutual respect, so that every person at Harvard has the opportunity to grow and thrive.

The work ahead demands much of each of us. Fortunately, we are people supported by generous physical and financial resources whose ambitions are limited only by our imaginations. Our University will emerge stronger from this time—not in spite of being tested, but because of it. I will do my utmost to work with our community to pursue excellence in our core mission as I continue to acknowledge and celebrate the many ways in which that excellence manifests itself—and the many ways in which we make the world better.

Sincerely,



Alan M. Garber
PRESIDENT

October 2024

Financial Overview

From the Vice President for Finance and the Treasurer

This year's financial report for Harvard University offers much to unpack. While fiscal year 2024 brought its share of challenges, it was also a year of tireless efforts and initiatives, less in the spotlight, that continued to drive Harvard forward. This report reflects those efforts, which have strengthened the University's financial position and lay a robust foundation for progress.

The University generated an operating surplus of \$45 million on a revenue base of \$6.5 billion, which increased a robust 6% in fiscal year 2024. Demand for a Harvard education was evident in the strength of the undergraduate applicant pool (the fourth largest in Harvard's history) with the highest matriculation rate in five decades, along with an 8% growth in executive and continuing education programs, also referred to as Professional and Lifelong Learning (PLL). These programs—which span across all of Harvard's Schools and disciplines—offer expanded access to a world-class education, both on campus and virtually around the globe.

About 8% of fiscal year 2024 operating revenue came from gifts for current use, primarily payments on prior pledges. At over \$525 million, current use giving reached the second highest level in Harvard's history. While still surpassing \$1 billion of fundraising, such levels may not be sustainable looking forward. We are grateful to those who have continued to direct their philanthropy to the University as a reflection of their commitment to Harvard's academic mission.

Distributions from the endowment provided \$2.4 billion or 37% of total revenue for the year, a vital source of support. Seeded by 388 years of University supporters and stewarded by Harvard Management Company (HMC), Harvard's endowment funds propel the University's ability to advance its academic priorities. This year, Narv Narvekar and his colleagues at HMC generated a healthy 9.6% return.

These contributions made possible the University's ongoing commitment to affordability, as reflected in the more than \$749 million in financial aid across the University, including \$250 million for undergraduates enrolled in Harvard College—a 6% increase over fiscal year 2023. For families with annual incomes below \$85,000, the cost to attend Harvard College, including tuition, housing, and food, is free.

This year also saw significant investments in the University's technology infrastructure, both underground and in the cloud. Harvard expanded access to artificial intelligence capabilities across the University and launched digital initiatives to make our vast library collections accessible to scholars and students worldwide. On terra firma, development of the Allston campus continues in full force: the construction of the new home for the American Repertory Theater (A.R.T.) at the David E. and Stacey L. Goel Center for Creativity & Performance, adjacent affiliated student housing at 100 South Campus Drive, and the David Rubenstein Treehouse Conference Center are all underway.

To support long-term capital projects, the University issued \$1.6 billion in debt in fiscal year 2024 through a two-part bond issuance: \$750 million taxable and \$855 million tax-exempt, including a tender to refinance outstanding bonds for interest savings. Harvard secured favorable borrowing costs with historically low credit spreads, a reflection of confidence in the University's long-term stability.

We do not take that confidence for granted. We live in a world of persistent uncertainty, underpinned by economic volatility and geopolitical unrest. Increasing pressures on our operating performance demand that we take seriously the need to improve our financial capacity.

For a second consecutive year, expense growth (9%) outpaced revenue growth (6%), leading to a smaller surplus than had been budgeted and a substantially lower operating margin, at under 1% of revenue, than has been characteristic of recent years.

Fiscal year 2024 expense increase was driven primarily by our investments in people. Our commitment to attracting and retaining top talent through competitive salaries accounted for just over half of the increase in compensation, with the balance from new faculty and staff to support University activities. Benefits expenses increased in line with higher compensation and an expanded workforce, further fueled by higher healthcare and pharmaceutical costs. These dynamics are not unique to Harvard; research universities across the country face similar challenges, with rising labor costs, increased operational expenses, and heavier burdens from regulatory and oversight demands.

In such a rapidly evolving landscape, safeguarding the University's financial resilience is vital. With an endowment of \$53.2 billion, Harvard's resources are significant. Equally important is why those resources matter. Harvard's financial capital acts as both a catalyst to accelerate learning and discovery today, and as a stabilizing force to ensure that future generations of scholars have the same opportunities. The principle of intergenerational equity is foundational: Harvard's endowment funds — of which 80% are restricted to particular purposes, including financial aid, professorships, and specific fields of scholarships within specific schools — exist to support the University's teaching and research in perpetuity. Our financial resources, built over years through disciplined planning and sound financial management, allow Harvard's schools and units to withstand shocks. They also provide the capacity to invest in new programs and pedagogies, fostering the academic excellence that is both Harvard's hallmark and its aim.

We thank each member of the community — faculty, students, staff, donors and alumni — for their dedication and steadfast commitment to the University through a difficult and trying year. We remain energized by the prospects for progress, as the University is a community of remarkable resilience that strives continuously and with humility to deliver on its extraordinary promise.



Ritu Kalra
VICE PRESIDENT FOR FINANCE



Timothy R. Barakett
TREASURER

October 2024

Harvard University's stewardship of its financial resources is aimed at advancing teaching, learning, and research priorities to make a positive impact in the world. This includes expanding access to education across the globe, supporting students with our strong financial aid program, fulfilling our ongoing dedication to public service, and transforming how problems are understood and addressed through research. The key financial highlights for fiscal year 2024 included in this report demonstrate the University's continued commitment to advancing these priorities.

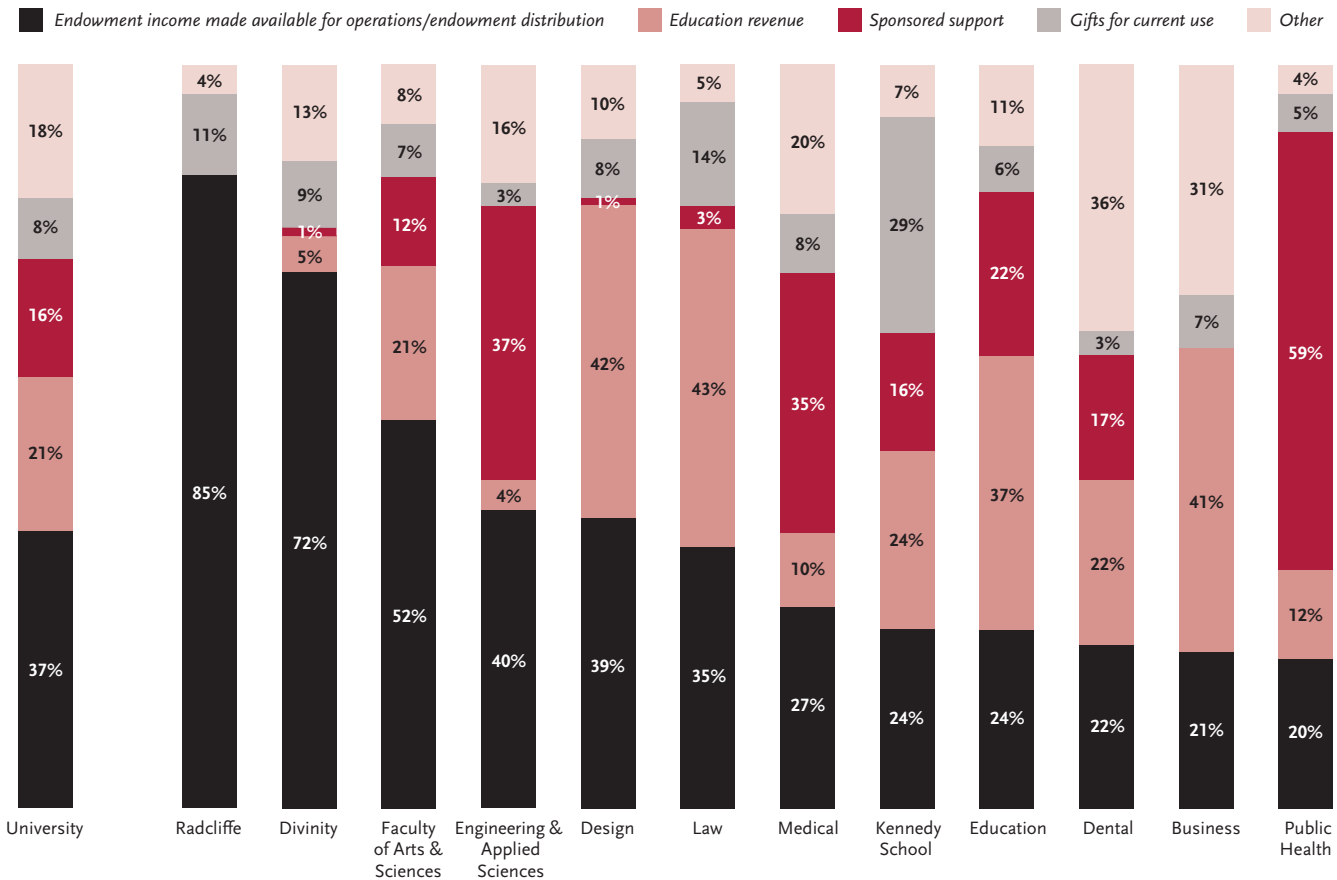
FINANCIAL OVERVIEW

The University ended fiscal year 2024 with an operating surplus of \$45 million compared to \$186 million in fiscal year 2023, on an operating revenue base of \$6.5 billion. Revenue grew an impressive 6% or \$375 million but was outpaced by expense growth of 9% or \$515 million, reflecting continued investments in the University's workforce and rising overall costs.

OPERATING REVENUES

The revenue profiles of Harvard's many schools and units vary widely, as each draws a different proportion of its budget from the primary sources as depicted in the following table:

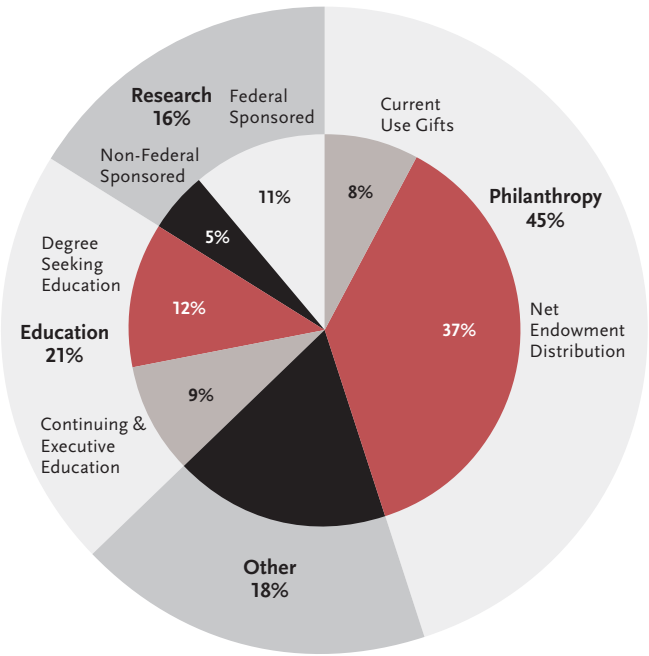
FISCAL YEAR 2024 SOURCES OF OPERATING REVENUE BY SCHOOL



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

Total **education** revenue comprised 21% of revenue. This includes tuition, housing and food income, net of financial aid, from both traditional degree seeking students (undergraduate, graduate, and professional), as well as professional and lifelong learners. In support of **research**, our faculty are awarded external grants by governmental and private partners to advance new academic knowledge; this sponsored funding made up 16% of revenue. Revenues generated each year from our educational programs and research endeavors are not sufficient to fund operations and as such, the University relies on **philanthropy** to fill in the gap. In fiscal year 2024, support from past and present donors provided 45% of revenue through current use gifts and endowment income, reflecting their generosity and belief in the broad impact of education and research at Harvard.

FISCAL YEAR 2024 OPERATING REVENUES

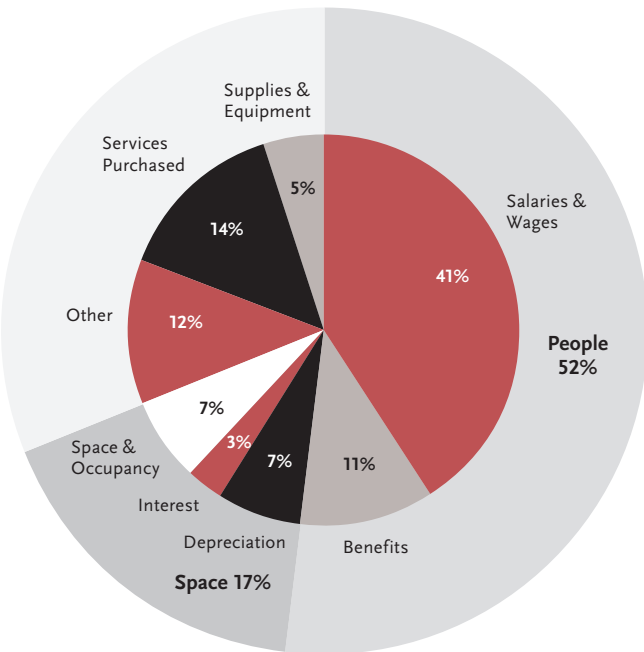


OPERATING EXPENSES

Harvard’s spending encompasses three primary categories, related to the faculty, staff and other **people** who make Harvard’s work come alive; the classrooms, labs and other **spaces** in which their work is done; and the **supplies and services** they use to advance the work.

The University’s operating expenses rose by \$515 million or 9% to \$6.4 billion for fiscal year 2024.

FISCAL YEAR 2024 OPERATING EXPENSES



The growth was driven primarily by higher compensation costs, increased spending on information technology services, and the ongoing maintenance of our campus. Compensation, or **people**, expenses—including salaries, wages, and benefits—accounted for over half of the University’s total operating costs in fiscal year 2024, with salaries and wages increasing by 9%, or \$211 million, to \$2.6 billion. This growth stemmed from wage increases and investments in new faculty and staff across campus along with targeted expansion in key initiatives. Employee growth has been robust following the pandemic, though we anticipate this pace of growth to moderate in fiscal year 2025 and beyond, as the University filled many prior vacancies. Employee benefit expenses grew 10% or \$62 million resulting from growth in headcount and increased healthcare costs.

Space-related expenses grew by 8% or \$78 million, driven by a focus on addressing deferred maintenance projects. **Supplies and Services** grew by 13% or \$136 million as the University made significant investments in information technology, with a focus on enhancing security, integrating artificial intelligence, and developing advanced cross-campus learning platforms such as the Learning Experience Platform to expand access and enable more students to benefit from a Harvard education.

BALANCE SHEET

Investments and endowment

The return on the endowment in fiscal year 2024 was 9.6%. Its value (after the impact of distributions from the endowment for operations, and the addition of new gifts to the endowment during the year) stood at \$53.2 billion, an increase of \$2.5 billion from \$50.7 billion at the end of fiscal year 2023. Additional information is available in the *Message from the CEO of Harvard Management Company*, found later in this report.

The University has a policy of maintaining liquidity outside of the endowment for operating purposes. These liquid, short-term investments totaled \$2.0 billion at June 30, 2024 compared to \$1.4 billion at June 30, 2023 (see *Note 2*), well above our minimum policy requirement.

Debt

Bonds and notes payable increased from \$6.2 billion at June 30, 2023 to \$7.1 billion at June 30, 2024. The increase was driven by the issuance of \$750 million in taxable bonds (Series 2024A) and \$855 million in tax-exempt bonds (Series 2024B) in Spring 2024 to

fund capital spending as well as to refinance a portion of the University's outstanding tax-exempt Series 2016A bonds. The University maintained its AAA rating by S&P Global Ratings and Aaa by Moody's Investor Services.

Fixed assets

The University invested \$639 million in capital for fiscal year 2024 compared to \$512 million in fiscal year 2023. The increase in capital expenditure is due to a combined increase in the number of active projects and the average cost of each project. Construction market escalation stabilized at an average of 4% in fiscal year 2024, while supply chain availability for electrical and major mechanical continued to see long lead times. The construction market in Cambridge and Boston continues to be strong, driving up contractor and material costs. The permitting process in both cities is lengthy and will continue to add time and expense to project schedules. Elevated construction costs are not anticipated to abate in coming years.

EDUCATION

In fiscal year 2024, across its 12 schools, Harvard enrolled 24,596 students from around the globe, including 7,063 undergraduates at Harvard College.

Total education revenue

Student income increased 4% or \$51 million to \$1.4 billion in fiscal year 2024. Revenue from traditional student programs (undergraduate and graduate) grew by 2% or \$25 million. Food and housing revenue of \$231 million grew 4%. Executive and continuing education revenue totaled \$587 million, growing 8% or \$43 million. Financial aid applied to student income increased 5% or \$26 million to \$557 million in fiscal year 2024.

Undergraduate and graduate programs and financial aid

Harvard is committed to cultivating a diverse community of bright and talented students regardless of their ability to pay. In fiscal year 2024, net undergraduate tuition, food and housing decreased \$3 million as a result of a 6% or \$14 million increase in financial aid outpacing the 2% or \$11 million increase in tuition, food and housing costs. Thanks to our robust financial aid program, approximately 55% of Harvard College students receive need-based

scholarships and pay an average of \$15,700 for tuition, fees, housing and food. Since launching the Harvard Financial Aid Initiative in 2004, the College has awarded more than \$3 billion in grant aid, and the undergraduate financial aid budget has more than tripled from \$80 million in 2005 to \$260 million in 2024. The average net cost of attendance for all Harvard College students is \$42,943.

Harvard College has continued its ongoing efforts to expand financial aid by raising the family income threshold for full assistance by \$10,000 in 2023-2024 to \$85,000. This change means that nearly 25% of families do not have to contribute anything to tuition, fees, housing or food. In addition, to ensure that students can participate fully in the Harvard experience, Harvard provides the most highly aided students with funding for health insurance, emergency expenses, event fees, and other activities. First-year students from families making under \$85,000 also receive a \$2,000 Start-up Grant to help with the costs of starting at Harvard. New this year, juniors from the same highly aided category receive a \$2,000 Launch Grant to help with the costs of getting ready for life post-graduation.

ADVANCING THE PUBLIC GOOD

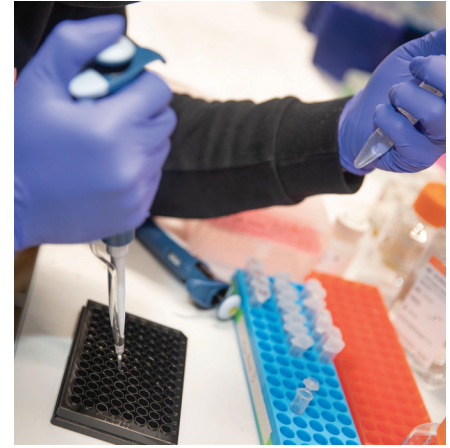
Every day, Harvard students, faculty, staff, and alumni all across the globe use their time and talents to serve the public good. They are at the forefront of their scholarly disciplines, experts in their professional domains, and leaders in their communities. Each one is united by the University's commitment to making the world a better place through the extension of knowledge.



Harvard's Global Day of Service brings together community members worldwide to foster civic engagement through **public service** projects. Over 1,000 volunteers each year partner with local governments, nonprofit organizations, and advocacy groups to serve their local communities. Many of these experiences motivate students to continue exploring civic engagement opportunities at Harvard and inspire lifelong commitments to public service.



Through the Office of Technology Development, the University advances science, fosters **innovation**, and translates new inventions into useful products that are beneficial to society. There were 402 innovations reported by Harvard researchers, 155 U.S. patents issued, and 14 startups launched from Harvard labs in fiscal year 2024. Their impact spans society—addressing health care, climate change, energy, sustainability, high-tech goods, and much more.



In addition to the nearly \$500 million Harvard invested to advance **research** and support early-stage ideas, our faculty were awarded \$1 billion in external grants by government and private partners in fiscal year 2024. This funding fuels Massachusetts's knowledge economy supporting local jobs, businesses, and organizations.



For more than 200 years, Harvard Medical School (HMS) affiliates have been key partners in the School's education, research, and patient care endeavors. Unlike many medical schools, HMS relies on **collaboration** agreements with 15 clinical affiliates and research institutes that employ many physicians and scientists with faculty appointments. The Faculty of Medicine includes more than 12,000 individuals working in classrooms, clinics, and laboratories across Boston and Cambridge.



To help close the gap in executive development in the public sector, the University's Bloomberg Harvard City Leadership Initiative—a program of the Bloomberg Center for Cities—equips global mayors and senior city officials with research-backed management and **leadership** training to tackle complex city challenges and improve residents' the quality of life. This yearlong, high-impact program has provided training to 314 mayors and over 550 senior city leaders across 47 U.S. states, 34 countries, and six continents since its launch in 2017.



The Harvard Ed Portal is a dynamic hub that connects the Allston-Brighton community to **education** resources across Harvard's campus. Over the past decade, the Ed Portal has reached over 45,000 participants, hosted, more than 2,400 events, awarded over 800 scholarships, and collaborated with 68 Harvard departments and units and 96 partners throughout Allston-Brighton and the Boston community to provide responsive programs and local benefits.

RESEARCH

Harvard scholars conduct research across a vast array of fields, striving to expand human knowledge through analysis, innovation, and insight. In 2024, this research was supported by \$1 billion of sponsored funds, alongside an additional \$489 million funded directly by the University, as reported in the 2023 National Science Foundation Higher Education and Research Development (HERD) Survey. Research efforts are carried out across the departments of the schools and at more than 100 research centers, both on campus and globally. Researchers include faculty members, visiting scholars, post-doctoral fellows, and graduate and undergraduate students, who collaborate with colleagues across the University, affiliated institutions, and other research institutions.

Federal funding plays a pivotal role in these endeavors, supporting groundbreaking scientific discoveries that fuel innovation and economic growth in our local community and around the world. During fiscal year 2024, federal funding of \$686 million made up approximately 68% of total sponsored revenue and increased by 1% or \$10 million. Federal funding is the University's largest source of support for research, playing a pivotal role in enabling studies that deliver widespread societal benefits.

In addition to federal support, the University received \$326 million in non-federal sponsored revenue in fiscal year 2024, which includes funding from corporations, foundations, and other non-federal sponsors. This represents a decrease of 7% or \$23 million, as certain large projects wound down in fiscal year 2024. Non-federal sponsored revenue fluctuates from year to year due to the variable nature of private grants and contracts, which are often project-specific and time-limited.

Harvard allocates substantial institutional resources to amplify these federal and non-federal investments. The University's nearly \$500 million of internal funding provides vital incubation for early-stage research ideas, seeds new initiatives, subsidizes projects with insufficient external funding, and empowers faculty to explore new areas of scientific inquiry. These efforts ensure a robust ecosystem for innovation and discovery that not only advances Harvard's research mission but also drives progress to address society's most significant challenges.

MAPPING NEURAL CONNECTIONS IN THE BRAIN

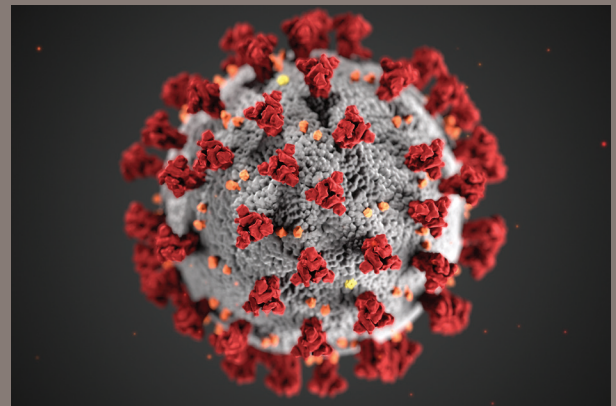
A Harvard team of researchers helped create the largest 3D brain reconstruction to date, showing in vivid detail each cell and its web of connections in a piece of temporal cortex about half the size of a rice grain. It is the latest development in a collaboration with scientists in the field of connectomics to construct the first comprehensive diagram of every neural connection inside a mouse brain, which could lead to new approaches in diagnosing and treating disorders of the brain, from autism to schizophrenia.



Six layers of excitatory neurons color-coded by depth.
Credit: Google Research and Lichtman Lab

STAYING AHEAD OF VIRUS MUTATIONS WITH AI

A new artificial intelligence tool named EVEscape, developed by researchers at Harvard Medical School and the University of Oxford, can predict the variants most likely to occur as a virus evolves. The tool uses evolutionary sequences and structural information about the virus to make predictions about new viral variants before they emerge. This information could help scientists develop more effective vaccines and therapies that are future-proof.



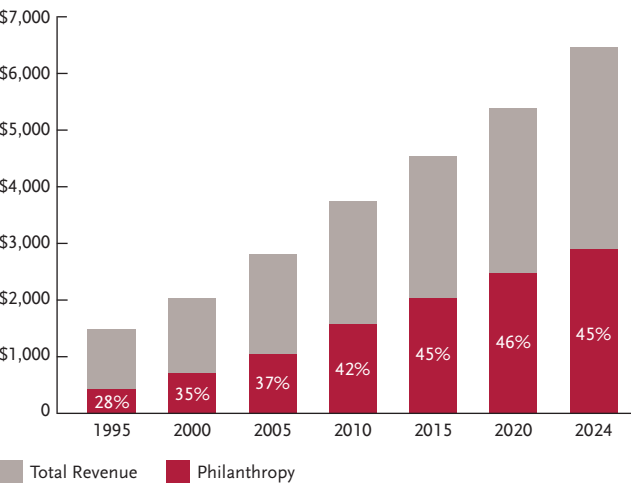
An illustration of the ultrastructural morphology exhibited by coronaviruses created by the Centers for Disease Control and Prevention (CDC).

Credit: Alissa Eckert, MSMI; Dan Higgins, MAMS

PHILANTHROPY

Combining gifts for current use and the endowment distribution, philanthropy accounted for 45% of Harvard’s revenue in fiscal year 2024. Today, excellence and affordability in higher education rely heavily on philanthropy to support nearly every aspect of university life. Every gift helps Harvard to support excellence in our teaching and research, recruit and retain our world class faculty, help students thrive, and provide greater access through financial aid.

PHILANTHROPY AS A PERCENTAGE OF TOTAL REVENUE OVER TIME



Gifts for current use

In fiscal year 2024, Harvard received current use gifts from alumni, foundations, and others totaling \$528 million, representing approximately 8% of operating revenues and an increase of 9% or \$42 million. Support for the University comes from donations of all sizes; more than 75% of the number of gifts in fiscal year 2024 averaged \$150 per donor.

The Harvard endowment

Harvard’s endowment has existed for nearly four centuries and serves as a crucial resource for current and future generations of Harvard students, faculty, and researchers. Comprising over 14,000 individual funds, the endowment supports nearly every facet of the University’s mission—from student financial aid to neighborhood programs, from museum and library preservation to campus activities, from faculty and fellow positions to scientific advancement.

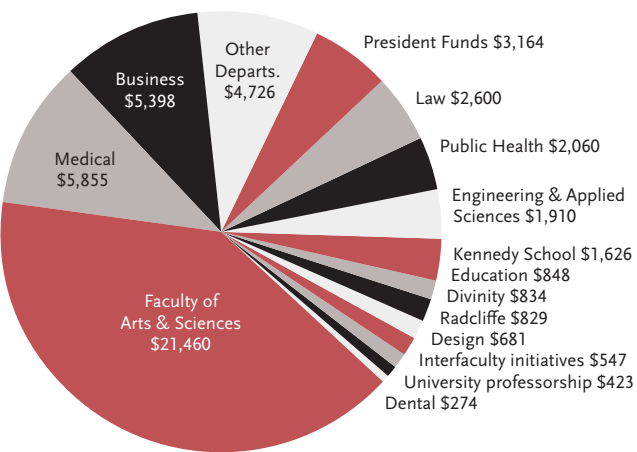
Donor contributions to the endowment have enabled leading financial aid programs, groundbreaking scientific discoveries, and the establishment of

hundreds of professorships across a wide range of academic fields. Each year, a portion of the endowment is paid out as an annual distribution to support the University’s operations. The University strives to maximize its responsible draw each year, while balancing both present and future needs.

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

Gifts for the endowment were \$368 million in fiscal year 2024; over the past ten years, gifts to the endowment have ranged from a high of \$646 million to a low of \$338 million.

MARKET VALUE OF THE ENDOWMENT AS OF JUNE 30, 2024
In millions of dollars



TOTAL MARKET VALUE \$53,235

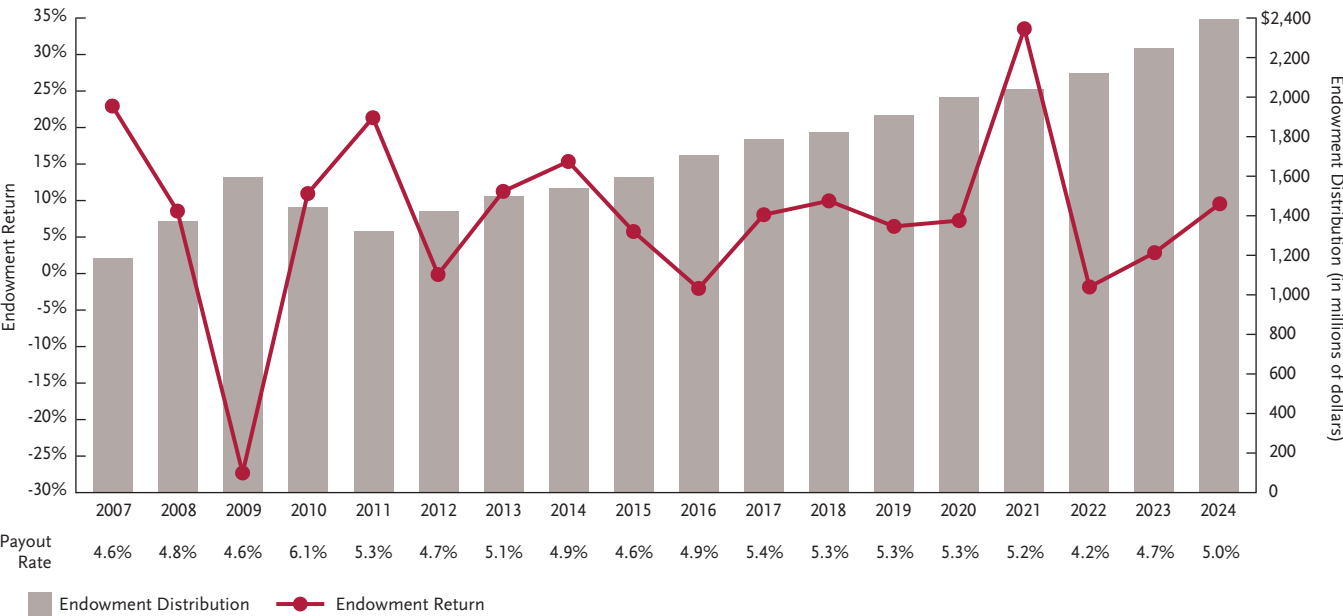
Endowment returns made available for operations

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

Harvard is obligated to preserve the endowment’s purchasing power by spending only a sustainable portion of its value each year. Spending significantly more than that over time would favor the present at the expense of future generations, undermining the endowment’s fundamental purpose of maintaining intergenerational equity. Generally, the annual

endowment payout range is 5.0 to 5.5% of its market value, though the actual payout rate can vary each year based on endowment returns. This critical source of funding distributed \$2.4 billion in the fiscal year ending June 30, 2024—representing 37% of Harvard’s total operating revenue—and is the single largest source of revenue supporting the University.

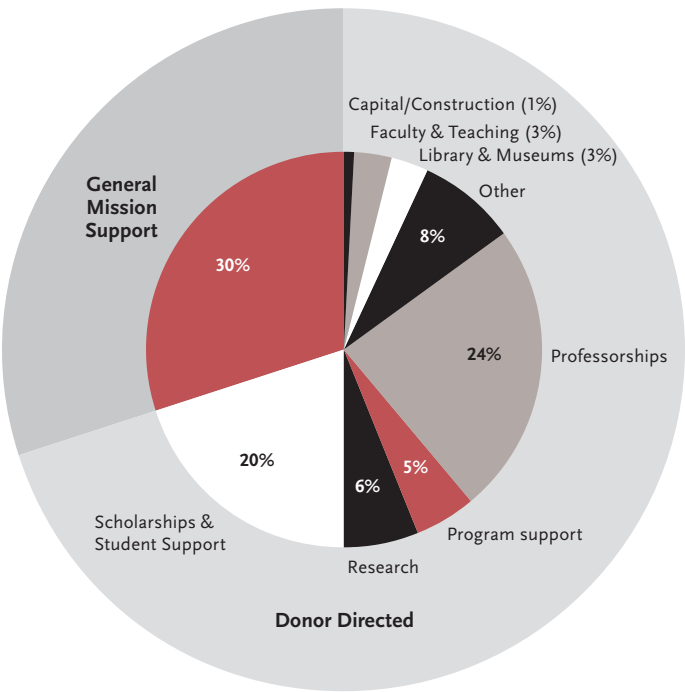
ENDOWMENT RETURNS MADE AVAILABLE FOR OPERATIONS BY YEAR



Endowment payout

While the endowment is a critical source of funding, 70% of the annual distribution is directed by donor terms to specific programs, departments, or purposes. Funds without donor restriction offer more flexibility, although they are often restricted at a high level such as to a particular school. These less restricted funds are essential for general mission support and transformative, strategic initiatives. In this way, the endowment bridges the gap between revenue from tuition and research grants and the critical costs associated with the University’s teaching and research activities.

ENDOWMENT SPENDING FLEXIBILITY



Harvard Management Company

Message from the Chief Executive Officer

Harvard's endowment generated a 9.6% return for fiscal year 2024 (FY24) and the value stood at \$53.2 billion. The endowment distributed \$2.4 billion toward the University's operating budget supporting financial aid, faculty, research initiatives, and more.

PERFORMANCE

The endowment delivered strong performance in FY24. The target return for Harvard's endowed funds is 8%, which accounts for roughly a 5% distribution and 3% growth to maintain purchasing power over time. The annualized return of 9.3% over the past seven years—which encompasses the full fiscal years since I joined Harvard Management Company (HMC)—has more than kept pace with that target.

While it is common practice—and seemingly straightforward—to compare endowment performance among peer institutions, such comparisons ignore the nuance of each institution's investment goals. Endowment portfolios are constructed to reflect the specific needs and risk tolerances of their respective institutions. Accordingly, portfolios may be more, or less, aggressive, and therefore benefit more, or less, from a particular market environment. With the University's reliance on endowment distributions to fund a substantial portion of its operations—over one-third when I arrived and now approaching 40%—the endowment's orientation toward strong investment returns has been tempered by the imperative for budgetary stability. We believe that has resulted in a lower tolerance for risk than many of our largest private university peers, which can cause lags in ebullient environments, but also provide protection during downturns.

The endowment performance of any institution must be understood in this context. In fact, the portfolio's performance is based on three sets of factors: portfolio risk level, asset allocation, and manager selection.

Portfolio risk

During my early days at HMC, we initiated a deep review of the University's risk tolerance to better inform both HMC and the University of the various financial considerations at play. In 2021, following thoughtful, rigorous analysis, a moderate increase in portfolio risk was approved. As discussed above, we believe the endowment's portfolio risk is still lower than that of many private university peers. Nevertheless, the moderate increase has bolstered returns and conversations with the University remain active to determine if future increases to risk tolerance are warranted.

Asset allocation

The University's tolerance for risk informs HMC's portfolio risk level and therefore HMC's asset allocation decisions, one of the most significant factors in the portfolio's long-term returns.

HMC's asset allocation has featured three interrelated portfolio moves over the last seven years. First, we reduced the exposure to real estate and natural resources from 25% of the endowment portfolio in FY18 to 6% today. This strategic reduction has had a positive and compounding impact on the University's endowment returns. It has also created room for the second major portfolio shift, which is our significant increase in private equities. Public equity returns are often outpaced by private equity—both buyouts and venture capital. However, in FY24, for the second year in a row, private equity returns lagged those of public equity markets. Readers will recall that in FY22, private managers did not reduce the value of their investments in a manner consistent with declining public equity markets at the time. As presaged in that year's letter, those private asset managers did not subsequently increase the value of their investments in the context of rising public equity markets in fiscal years 2023 and 2024. Finally, we increased the size

of the hedge fund portfolio as a means of limiting equity exposure (public and private, collectively) and, therefore, limiting portfolio risk.

Asset Class	Allocation
Public equities	14%
Hedge funds	32%
Private equity	39%
Real estate	5%
Bonds/TIPs	5%
Other real assets*	3%
Cash	3%
ENDOWMENT**	100%

* Natural Resources, now under 1% of allocation, is included among Other Real Assets.

** Rounding results in a total percentage greater than 100%.

Manager selection

A significant positive factor in our returns has been HMC's strong manager selection. In FY24, HMC's public equity and hedge fund portfolios stood out for their strong performance. This is a particularly positive indicator, since HMC's hedge fund portfolio has less equity exposure than most hedge fund indices, yet still outperformed during a strong year for equities. Overall, significant alpha production over relevant benchmarks—a reflection of HMC's strength in its process of selecting managers—has reduced the drawbacks of a comparatively under-equitized and lower-risk portfolio.

IN CLOSING

The endowment's performance in FY24 was encouraging, less for its one-year return than for the trend it continues to reflect. The work HMC has undertaken to reposition the endowment for long-term success is clearly visible and the risk-adjusted returns to date show we are on the right track. This wouldn't be possible without a remarkable team, and I extend my gratitude to each and every member of HMC for their contributions, individually and collectively, to our progress.

I also thank the University's exceptional financial team, with whom we continue to work very closely. Ultimately, I extend my gratitude to the members of HMC's board. We benefit tremendously from their dedicated service and insightful leadership. At the close of this past fiscal year, we welcomed Tim Barakett '87, MBA '93, who had joined the board in 2022, as Chair of the HMC Board of Directors. Paul Finnegan '75, MBA '82, who joined the board in 2014 and had chaired the board for nine years, has been an invaluable contributor to HMC's successful turnaround and we are fortunate for his continued service on the board. Additionally, Michael Chae '90 joined as a director this past spring, bringing decades of asset management and investment expertise to the HMC board.

Twenty years ago, Harvard's endowment distributions accounted for 21% of the University's budget. Ten years later, it had grown to 31%. Now, it is approaching 40%. The ever-increasing reliance on this critical resource makes our work all the more important. We are motivated by the fact that our efforts directly support an institution that serves as a global leader in teaching, learning, research, and the groundbreaking advancements its community makes each day.

Best Regards,



N.P. "Narv" Narvekar
CHIEF EXECUTIVE OFFICER

October 2024



Report of Independent Auditors

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

Opinion

We have audited the accompanying consolidated financial statements of Harvard University and its subsidiaries (the "University"), which comprise the consolidated balance sheet as of June 30, 2024, and the related consolidated statements of changes in net assets with general operating account detail and of changes in net assets of the endowment for the year ended June 30, 2024 and of cash flows for the years then ended June 30, 2024 and 2023, 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, 2024, the changes in its net assets for the year ended June 30, 2024, and its cash flows for the years ended June 30, 2024 and 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the consolidated balance sheet as of June 30, 2023, and the related consolidated statements of changes in net assets with general operating account detail, of changes in net assets of the endowment and of cash flows for the year then ended (the balance sheet and the statements of changes in net assets with general operating account detail and of changes in net assets of the endowment are not presented herein), and in our report dated October 18, 2023, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2023 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Harvard University Financial Report Fiscal Year 2024, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 16, 2024

CONSOLIDATED BALANCE SHEETS

with summarized financial information as of June 30, 2023

In thousands of dollars	June 30	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 162,879	\$ 245,589
Receivables, net (Note 4)	370,979	349,271
Prepayments and deferred charges	412,890	362,676
Operating leases—right of use assets (Note 18)	675,089	715,444
Notes receivable, net (Note 5)	424,276	400,401
Pledges receivable, net (Note 6)	2,578,789	2,699,634
Fixed assets, net (Note 7)	8,933,096	8,595,983
Interests in trusts held by others (Note 3)	466,283	438,892
Securities pledged to counterparties, at fair value (Note 3)	63,786	122,758
Investment portfolio, at fair value (Note 3)	62,695,067	59,078,919
TOTAL ASSETS	\$ 76,783,134	\$ 73,009,567
LIABILITIES:		
Accounts payable	\$ 485,033	\$ 416,881
Deferred revenue and other liabilities	1,813,979	1,747,823
Operating lease liabilities (Note 18)	721,873	754,195
Other liabilities associated with the investment portfolio (Notes 3 and 10)	1,114,955	629,995
Liabilities due under split interest agreements (Note 9)	905,317	886,222
Bonds and notes payable (Note 10)	7,134,080	6,214,734
Accrued retirement obligations (Note 11)	276,599	840,198
TOTAL LIABILITIES	12,451,836	11,490,048
NET ASSETS	64,331,298	61,519,519
TOTAL LIABILITIES AND NET ASSETS	\$ 76,783,134	\$ 73,009,567

	Without donor restrictions	With donor restrictions	June 30	
			2024	2023
NET ASSETS:				
General Operating Account (GOA) (Note 8)	\$ 6,946,027	\$ 3,479,443	\$ 10,425,470	\$ 10,136,708
Endowment (Note 8)	9,636,717	43,598,488	53,235,205	50,748,594
Split interest agreements (Note 9)		670,623	670,623	634,217
TOTAL NET ASSETS	\$ 16,582,744	\$ 47,748,554	\$ 64,331,298	\$ 61,519,519

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

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

with summarized financial information for the year ended June 30, 2023

			For the year ended June 30	
<i>In thousands of dollars</i>	Without Donor Restrictions	With Donor Restrictions	2024	2023
OPERATING REVENUE:				
Net student income <i>(Notes 2 and 12)</i>	\$ 1,382,904		\$ 1,382,904	\$ 1,331,557
Sponsored support <i>(Note 13)</i>				
Federal government – direct costs	496,124		496,124	491,878
Federal government – indirect costs	190,344		190,344	184,257
Non-federal sponsors – direct costs	83,055	\$ 193,810	276,865	297,846
Non-federal sponsors – indirect costs	25,081	24,265	49,346	51,681
Total sponsored support	794,604	218,075	1,012,679	1,025,662
Gifts for current use <i>(Note 14)</i>	131,570	396,109	527,679	485,882
Investment income:				
Endowment returns made available for operations <i>(Note 8)</i>	453,072	1,939,307	2,392,379	2,244,699
GOA returns made available for operations	225,065		225,065	173,279
Other investment income	44,422	4,065	48,487	43,305
Total investment income	722,559	1,943,372	2,665,931	2,461,283
Other revenue <i>(Note 15)</i>	883,012		883,012	792,916
Net assets released from restriction	2,494,440	(2,494,440)	0	0
TOTAL OPERATING REVENUE	6,409,089	63,116	6,472,205	6,097,300
OPERATING EXPENSES:				
Salaries and wages	2,631,642		2,631,642	2,421,076
Employee benefits <i>(Note 11)</i>	690,638		690,638	628,304
Services purchased	921,075		921,075	791,941
Depreciation <i>(Note 7)</i>	440,257		440,257	424,809
Space and occupancy	439,150		439,150	394,079
Supplies and equipment	289,700		289,700	283,323
Interest <i>(Note 10)</i>	226,405		226,405	208,590
Scholarships and other student awards <i>(Note 12)</i>	192,419		192,419	181,295
Other expenses <i>(Note 16)</i>	595,625		595,625	578,380
TOTAL OPERATING EXPENSES	6,426,911	0	6,426,911	5,911,797
NET OPERATING SURPLUS/(DEFICIT)	(17,822)	63,116	45,294	185,503
NON-OPERATING ACTIVITIES:				
Income from GOA Investments	14,515		14,515	24,769
GOA realized and change in unrealized appreciation, net <i>(Note 3)</i>	645,024		645,024	146,519
GOA returns made available for operations	(225,065)		(225,065)	(173,279)
Change in pledge balances <i>(Note 6)</i>		(125,365)	(125,365)	286,022
Change in interests in trusts held by others		913	913	(2,125)
Gifts for facilities and loan funds <i>(Note 14)</i>		54,309	54,309	96,175
Change in retirement obligations <i>(Note 11)</i>	(4,188)		(4,188)	70,158
Other changes	(127,427)		(127,427)	7,743
Transfers between GOA and endowment <i>(Note 8)</i>	(10,213)	2,069	(8,144)	(201,649)
Transfers between GOA and split interest agreements <i>(Note 9)</i>		18,896	18,896	28,398
Non-operating net assets released from restrictions	30,651	(30,651)	0	0
TOTAL NON-OPERATING ACTIVITIES	323,297	(79,829)	243,468	282,731
GENERAL OPERATING ACCOUNT NET CHANGE DURING THE YEAR	305,475	(16,713)	288,762	468,234
Endowment net change during the year	407,424	2,079,187	2,486,611	(129,086)
Split interest agreements net change during the year <i>(Note 9)</i>		36,406	36,406	(66,323)
NET CHANGE DURING THE YEAR	712,899	2,098,880	2,811,779	272,825
Net assets, beginning of year	15,869,845	45,649,674	61,519,519	61,246,694
NET ASSETS, END OF YEAR	\$ 16,582,744	\$ 47,748,554	\$ 64,331,298	\$ 61,519,519

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS OF THE ENDOWMENT

with summarized financial information for the year ended June 30, 2023

In thousands of dollars	Without Donor Restrictions	With Donor Restrictions	For the year ended June 30	
			2024	2023
Investment return (Note 3):				
Income from general investments	\$ 17,427	\$ 75,286	\$ 92,713	\$ 183,722
Realized and change in unrealized appreciation/(depreciation), net	823,000	3,567,335	4,390,335	1,153,926
Total investment return	840,427	3,642,621	4,483,048	1,337,648
Endowment returns made available for operations	(453,072)	(1,939,307)	(2,392,379)	(2,244,699)
Net investment return	387,355	1,703,314	2,090,669	(907,051)
Gifts for endowment (Note 14)	681	367,442	368,123	560,607
Transfers between endowment and the GOA (Note 8)	10,213	(2,069)	8,144	201,649
Capitalization of split interest agreements (Note 9)		23,560	23,560	50,747
Change in pledge balances (Note 6)		4,511	4,511	(179,700)
Change in interests in trusts held by others (Note 8)		26,478	26,478	8,121
Other changes	(3,394)	(31,480)	(34,874)	136,541
Net assets released from restrictions	12,569	(12,569)	0	0
NET CHANGE DURING THE YEAR	407,424	2,079,187	2,486,611	(129,086)
Net assets of the endowment, beginning of year	9,229,293	41,519,301	50,748,594	50,877,680
NET ASSETS OF THE ENDOWMENT, END OF YEAR	\$ 9,636,717	\$ 43,598,488	\$ 53,235,205	\$ 50,748,594

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars	For the year ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,811,779	\$ 272,825
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	440,257	424,809
Writeoffs and amortization of premium and discount related to bonds and notes payable	(73,841)	(37,179)
Amortization of debt issuance costs	749	409
Realized and change in unrealized appreciation, net	(5,149,989)	(1,336,740)
Change in fair value of interest rate exchange agreements	(1,795)	(4,985)
Change in interests in trusts held by others	(27,391)	(5,996)
Change in liabilities due under split interest agreements	54,218	42,175
Gifts of donated securities	(75,057)	(64,469)
Proceeds from the sale of gifts of securities without donor restrictions	11,955	16,437
Gifts for restricted purposes	(352,377)	(504,714)
Loss on disposal of assets	10,536	8,923
Change in accrued retirement obligations	17,126	(88,316)
Non-cash operating lease costs	40,355	(38,297)
Changes in operating assets and liabilities:		
Receivables, net	(21,708)	(9,479)
Prepayments and deferred charges	(50,214)	(45,228)
Pledges receivable, net	120,845	(107,200)
Accounts payable	55,686	(82,631)
Deferred revenue and other liabilities	69,190	43,770
Operating lease liability	(32,322)	64,853
NET CASH USED IN OPERATING ACTIVITIES	(2,151,998)	(1,451,033)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made to students, faculty, and staff	(62,785)	(62,985)
Payments received on student, faculty, and staff loans	38,497	42,902
Change in other notes receivable	413	494
Proceeds from the sales and maturities of investments	11,366,074	8,689,761
Purchase of investments	(9,237,914)	(7,988,945)
Change associated with repurchase agreements	(174,788)	599,085
Additions to fixed assets	(777,016)	(578,365)
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,152,481	701,947
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in overdrafts included in accounts payable	1,576	4,295
Change in split interest agreements from new contributions, income and payments to annuitants	(35,123)	(41,970)
Proceeds from issuance of debt	2,287,902	177,296
Debt repayments	(1,295,464)	(42,995)
Proceeds from the sale of gifts of securities with donor restrictions	63,102	48,032
Gifts for restricted purposes	352,377	504,714
Change in government loan advances	(3,034)	(4,768)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,371,336	644,604
NET CHANGE IN CASH	371,819	(104,482)
Cash, beginning of year	1,704,390	1,808,872
CASH, END OF YEAR	\$ 2,076,209	\$ 1,704,390
Cash and cash equivalents (per <i>Consolidated Balance Sheets</i>)	\$ 162,879	\$ 245,589
Cash and restricted cash held in investments (<i>Note 3</i>)	1,913,330	1,458,801
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,076,209	\$ 1,704,390
Supplemental disclosure of cash flow information:		
Accounts payable related to fixed asset additions	\$ 64,981	\$ 54,092
Cash paid for interest	\$ 264,581	\$ 235,881
New operating leases – right of use assets	\$ 27,516	\$ 150,680
Establishment of postretirement health plan trust	\$ 580,725	

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

1. UNIVERSITY ORGANIZATION

Harvard University (the “University”) is a private, not-for-profit institution of higher education with approximately 7,100 undergraduate and 13,900 graduate students in fiscal year 2024, as compared to 7,200 undergraduate and 14,200 graduate students in fiscal year 2023. Established in 1636, the University includes the Faculty of Arts and Sciences, the John A. Paulson School of Engineering and Applied Sciences, the Division of Continuing Education, ten graduate and professional Schools, the Radcliffe Institute for Advanced Study, a variety of research museums and institutes, and an extensive library system to support the teaching and research activities of the Harvard community.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

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

The consolidated financial statements include certain prior year summarized comparative information in total, not by net asset classification. This information is not presented in sufficient detail to conform to generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the University’s financial statements for the year ended June 30, 2023, from which the summarized information is derived. Certain prior year amounts have been reclassified to conform to current year presentation.

Net asset classifications

For the purposes of financial reporting, the University classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law.

Accordingly, the net assets of the University are classified in the accompanying consolidated financial statements in the categories that follow:

WITHOUT DONOR RESTRICTIONS — Net assets not subject to donor-imposed restrictions. Funds invested in fixed assets and unrestricted endowment funds comprise 76% of the University’s net assets without donor-imposed restrictions as of June 30, 2024. In addition, this category includes gifts and endowment income balances where the donor restriction has been met, University-designated loan funds, and other current funds.

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

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without

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

Liquidity and availability

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

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

	June 30,	
	2024	2023
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 162,879	\$ 245,589
Receivables, net	370,979	349,271
Pledge receivables due in one year	407,852	459,286
Cash and short-term investments held separately by General Operating Account (GOA) ¹	2,030,830	1,418,472
Endowment returns made available for operations in the following year	2,767,274	2,649,533
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	\$ 5,739,814	\$ 5,122,151
LIQUIDITY RESOURCES		
Credit facility, undrawn balance	1,500,000	1,500,000
Tax-exempt commercial paper, undrawn balance	1,000,000	975,000
Taxable commercial paper, undrawn balance	2,000,000	1,847,704
TOTAL FINANCIAL ASSETS AND LIQUIDITY RESOURCES AVAILABLE WITHIN ONE YEAR	\$ 10,239,814	\$ 9,444,855

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

Endowment and GOA returns liquidated from investments and made available for operations over the course of the fiscal year are distributed to University department and program budgets to spend, subject to donor restrictions where applicable.

While the University has no intention of doing so, there are additional investments held by the University and the endowment that could be liquidated in the event of an unexpected disruption. While a portion of the endowment is subject to donor restrictions, there was \$9.6 billion and \$9.2 billion in endowment funds without donor restrictions at June 30, 2024 and 2023, respectively, and \$6.1 billion and \$5.6 billion of General Operating Account investments (GOA) at June 30, 2024 and 2023, respectively, that could be accessed with the approval of the Corporation and subject to the redemption provisions described in *Note 3*.

Revenue recognition

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

Student income is derived from degree programs as well as executive and continuing education programs and includes tuition, fees, and board and lodging. Student income is recognized ratably over the academic period of the course or program offered based on time elapsed, and scholarships awarded to students reduce the amount of revenue recognized. The University’s individual schools have various billing and academic cycles and the majority of our programs are completed within the fiscal year. Student income received in advance of services to be rendered is recorded as deferred revenue which totaled \$215.6 million and \$208.3 million at June 30, 2024 and 2023, respectively, which are primarily recognized in the subsequent fiscal year.

Total student income of \$1.4 billion and \$1.3 billion was recorded during the years ended June 30, 2024 and 2023, respectively. Student tuition, fees, board and lodging at published rates is summarized as follows for the years ended June 30, 2024 and 2023 (in thousands of dollars):

	2024	2023
Undergraduate program	\$ 414,603	\$ 409,890
Graduate and professional degree programs	707,329	687,136
Continuing education and executive programs	586,896	544,039
Board and lodging	230,792	221,235

Scholarships applied to student charges were \$556,716 and \$530,743 for the years ended June 30, 2024 and 2023, respectively.

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

Sponsored support of \$1.0 billion includes support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the University's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue, which is recognized when any donor-imposed conditions have been met, if applicable. Sponsored conditional contributions received, where the barrier to entitlement is not yet overcome, are recorded as deferred revenues of \$66.0 million and \$84.7 million as of June 30, 2024 and 2023, respectively. As of June 30, 2024, the University also had \$1.6 billion awarded but not yet expended contributions related to sponsored programs where the condition had not yet been met. This is subject to federal appropriations. Funding received in advance of recognition is recorded as deferred revenue.

Other revenue of \$883.0 million in fiscal 2024 and \$792.9 million in fiscal 2023 includes several revenue streams considered exchange contracts with customers totaling \$719.1 million for fiscal year 2024 and \$651.5 million in fiscal year 2023. These revenues are recognized at the point in time goods or services are provided. Deferred revenues related to other revenue of \$84.3 million and \$96.5 million were recorded as of June 30, 2024 and 2023, which are primarily recognized in the subsequent fiscal year.

Measure of operations

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

Collections

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

Insurance programs

The University, together with the Harvard-affiliated teaching hospitals, has formed a captive insurance company, Controlled Risk Insurance Company (CRICO), to provide limited professional liability, general liability, and medical malpractice insurance for its shareholders. CRICO provides malpractice coverage with no deductible for medical professionals practicing within Harvard's University Health Services department, the School of Dental Medicine, and the T.H. Chan School of Public Health. The University self-insures a portion of its medical professional liability and general liability programs and maintains a reserve for incurred claims, including those related to Harvard Medical School activities not occurring in the affiliated teaching hospitals.

The University also maintains reserves for the self-insured portion of claims related to automobile liability, property damage, and workers' compensation; these programs are supplemented with commercial excess insurance above

the University's self-insured retention. In addition, the University maintains insured dental plans and retiree health plans, and is self-insured for unemployment and all health plans for active employees. The University's claims liabilities are recognized as incurred, including claims that have been incurred but not reported, and are included in operating expenses.

Tax

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act 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 and continues to evaluate the impact of the Act on current and future tax positions.

Use of estimates

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

New accounting pronouncements

Effective July 1, 2022, the University adopted ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*, which amends the lease classification requirements for lessors with certain leases containing variable payments. A lessor is to classify and account for a lease with variable lease payments that do not depend on an index or a rate as an operating lease if the lease would have been classified as a sales-type lease or a direct financing lease and the lessor would have otherwise recognized a day-one loss. The University adopted ASU 2021-05 prospectively. This guidance did not have a significant impact on the University's consolidated financial statements.

Effective July 1, 2023, the University adopted ASU 2022-04, *Disclosure of Supplier Finance Program Obligations*, which requires the buyer in a supplier finance program to disclose information about the key terms of the program, outstanding confirmed amounts as of the end of the period,

and a description of where in the financial statements outstanding amounts are presented. The University adopted ASU 2022-04 prospectively. This guidance did not have a significant impact on the University's consolidated financial statements. Additionally, ASU 2022-04 requires a rollforward of such amounts during each annual period, which will be effective for fiscal year 2025 for the University. The University does not believe this requirement will impact the consolidated financial statements going forward.

Effective July 1, 2023, the University adopted ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaced the incurred loss methodology with an expected loss methodology that is 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 loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost must be presented at the net amount expected to be collected by using an allowance for credit losses. This guidance did not have a significant impact on the University's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and in January 2021 issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. These ASUs provide temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as London Interbank Offered Rate ("LIBOR") which has been phased out, to alternate reference rates, such as Secured Overnight Financing Rate ("SOFR"). These standards are effective upon issuance through December 31, 2022. The adoption of this standard has not had a material impact on the University's consolidated financial statements and disclosures. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which defers the sunset date of reference rate reform relief to December 31, 2024.

3. INVESTMENTS

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

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

The University's investment holdings as of June 30, 2024 and 2023 are summarized in the following table (in thousands of dollars):

	2024	2023
Investment portfolio assets		
Pooled general investment account assets	\$ 59,687,011	\$ 56,633,201
Other investments	3,008,056	2,445,718
Investment portfolio, at fair value	62,695,067	59,078,919
Securities pledged to counterparties, at fair value	63,786	122,758
TOTAL INVESTMENT ASSETS	62,758,853	59,201,677
Pooled general investment account liabilities	1,113,126	626,371
Interest rate exchange agreement	1,829	3,624
TOTAL OTHER LIABILITIES ASSOCIATED WITH THE INVESTMENT PORTFOLIO	1,114,955	629,995
TOTAL INVESTMENTS, NET	\$ 61,643,898	\$ 58,571,682

As of June 30, 2024 and 2023, University net investments were comprised of the following components (in thousands of dollars):

	2024	2023
POOLED GENERAL INVESTMENT ACCOUNT		
Endowment ¹	\$ 51,286,075	\$ 48,679,919
General operating account	6,050,001	5,577,019
Split interest agreements	876,711	863,185
Other internally designated funds	424,884	1,009,465
TOTAL POOLED GENERAL INVESTMENT ACCOUNT NET ASSETS	\$ 58,637,671	\$ 56,129,588
OTHER INVESTMENTS OUTSIDE THE GENERAL INVESTMENT ACCOUNT		
General operating and other investments ²	2,306,998	1,784,840
Split interest agreements	699,229	657,254
TOTAL OTHER INVESTMENTS OUTSIDE THE GENERAL INVESTMENT ACCOUNT	\$ 3,006,227	\$ 2,442,094
TOTAL INVESTMENTS, NET	\$ 61,643,898	\$ 58,571,682

¹ As of June 30, 2024, the total net assets of the endowment of \$53,235,205 is comprised of investments in the GIA of \$51,286,075, pledges of \$1,257,997, interests in trusts held by others of \$438,225, and \$252,908 of other non-GIA investments and GIA interest and dividends net of all internal and external management fees and expenses. See Note 8 for further composition of the net assets of the endowment.

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

Investment return

A summary of the University's total return on investments for fiscal years 2024 and 2023 is presented below (in thousands of dollars):

	2024	2023
Return on pooled general investment account:		
Realized and change in unrealized appreciation, net	\$ 5,060,280	\$ 1,320,925
Interest, dividend, fees, and expenses, net	107,094	211,887
Total return on pooled general investment account ¹	5,167,374	1,532,812
Return on other investments:		
Realized and change in unrealized appreciation, net	89,709	15,815
Interest, dividend, fees, and expenses, net	68,917	59,722
Total return on other investments	\$ 158,626	\$ 75,537
Realized and change in unrealized appreciation on interest rate exchange agreement, net	2,222	3,929
TOTAL RETURN ON INVESTMENTS²	\$ 5,328,222	\$ 1,612,278

¹ Net of all internal and external management fees and expenses.

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

Fair value hierarchy

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

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

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

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

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

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

The following is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2024 and summarized as of June 30, 2023 (in thousands of dollars):

	2024				2023	
	Level 1	Level 2	Level 3 ⁶	Net asset value	Total	Total
ASSETS:						
Cash and cash equivalents ¹	\$ 1,913,330				\$ 1,913,330	\$ 1,458,801
Repurchase agreements		\$ 325,577			325,577	150,789
Domestic equity	2,125,469			\$ 2,289,143	4,414,612	3,389,362
Foreign equity	312,564			823,685	1,136,249	1,076,842
Global equity				891,728	891,728	1,211,417
Domestic fixed income	1,658,693			1,045,461	2,704,154	3,051,854
Foreign fixed income	16,247				16,247	15,839
Emerging market equity and debt	101,276			2,603,873	2,705,149	3,123,040
High yield	16,728		\$ 198,591		215,319	303,874
Hedge funds				18,879,953	18,879,953	17,267,674
Private equity			1,277,685	22,662,659	23,940,344	23,123,874
Natural resources	739			443,544	444,283	429,239
Real estate			6,861	3,098,156	3,105,017	3,003,337
Inflation-indexed bonds	1,096,114				1,096,114	1,077,269
Due from brokers		74,282	4,645		78,927	93,854
Other investments		130,807			130,807	82,826
INVESTMENT ASSETS SUBJECT TO FAIR VALUE LEVELING	\$ 7,241,160	\$ 530,666	\$ 1,487,782	\$ 52,738,202	\$ 61,997,810	\$ 58,859,891
Other investment assets not subject to fair value ²					761,043	341,786
TOTAL INVESTMENT ASSETS³					\$ 62,758,853	\$ 59,201,677
Interests in trusts held by others ⁴			466,283		466,283	438,892
NON-INVESTMENT ASSETS SUBJECT TO FAIR VALUE LEVELING			\$ 466,283		\$ 466,283	\$ 438,892
TOTAL ASSETS					\$ 63,225,136	\$ 59,640,569
LIABILITIES:						
Due to brokers ⁵	\$ 888	\$ 8,871			\$ 9,759	\$ 18,215
Other liabilities subject to fair value		602,478	\$ 42,289		644,767	138,733
INVESTMENT LIABILITIES SUBJECT TO FAIR VALUE LEVELING	\$ 888	\$ 611,349	\$ 42,289		\$ 654,526	\$ 156,948
Other investment liabilities not subject to fair value					460,429	473,047
TOTAL INVESTMENT LIABILITIES					\$ 1,114,955	\$ 629,995
Liabilities due under split interest agreements ⁴		905,317			905,317	886,222
NON-INVESTMENT LIABILITIES SUBJECT TO FAIR VALUE LEVELING		\$ 905,317			\$ 905,317	\$ 886,222
TOTAL LIABILITIES					\$ 2,020,272	\$ 1,516,217

¹ This excludes money markets held in "Cash and cash equivalents" on the Consolidated Balance Sheets of \$55.0 million as of June 30, 2024 and 2023, which are Level 1 investments.

² As of June 30, 2024 and 2023 other assets not subject to fair value consists primarily of receivables for transactions that settled subsequent to the balance sheet date of \$627,506 and \$239,815, respectively.

³ As of June 30, 2024 and 2023, total investment assets, net equal \$61,643,898 and \$58,571,682, respectively.

⁴ Amounts excluded from investments and included separately on the University's Consolidated Balance Sheets.

⁵ Includes fair value of an interest rate exchange agreement on the University's debt portfolio of \$1,829 and \$3,624 as of June 30, 2024 and 2023, respectively.

⁶ As of June 30, 2024, \$438,492 of Level 3 assets were valued using significant unobservable inputs.

The following is a rollforward of Level 3 investments for the year ended June 30, 2024 and the condensed June 30, 2023 rollforward of Level 3 investments (in thousands of dollars).

	Beginning balance as of July 1, 2023	Net realized gains/ (losses)	Net change in unrealized appreciation/ (depreciation) ¹	Purchases/ contributions	Sales/ distributions	Transfers into Level 3 ²	Transfers out of Level 3 ³	Ending balance as of June 30, 2024
INVESTMENT ASSETS:								
High yield	\$ 290,011	\$ (13,685)	\$ 6,775	\$ 29,939	\$ (114,449)			\$ 198,591
Private equity	1,157,032	164,834	(109,154)	145,978	(306,930)	\$ 245,277	\$ (19,352)	1,277,685
Real estate	7,170	300	(609)					6,861
Due from brokers	4,645							4,645
INVESTMENT ASSETS SUBJECT TO FAIR VALUE LEVELING								
	\$ 1,458,858	\$ 151,449	\$ (102,988)	\$ 175,917	\$ (421,379)	\$ 245,277	\$ (19,352)	\$ 1,487,782
Interests in trusts held by others	\$ 438,892		\$ 28,985		\$ (1,594)			\$ 466,283
NON-INVESTMENT ASSETS SUBJECT TO FAIR VALUE LEVELING								
	\$ 438,892		\$ 28,985		\$ (1,594)			\$ 466,283
TOTAL ASSETS SUBJECT TO FAIR VALUE LEVELING								
	\$ 1,897,750	\$ 151,449	\$ (74,003)	\$ 175,917	\$ (422,973)	\$ 245,277	\$ (19,352)	\$ 1,954,065
INVESTMENT LIABILITIES:								
Other liabilities subject to fair value	\$ 138,733		\$ (65)	\$ (233,489)	\$ 137,110			\$ 42,289
TOTAL LIABILITIES SUBJECT TO FAIR VALUE LEVELING								
	\$ 138,733	\$ 0	\$ (65)	\$ (233,489)	\$ 137,110			\$ 42,289
NET ASSETS SUBJECT TO FAIR VALUE LEVELING								
	\$ 1,759,017	\$ 151,449	\$ (73,938)	\$ 409,406	\$ (560,083)	\$ 245,277	\$ (19,352)	\$ 1,911,776

¹ Total change in unrealized (depreciation)/appreciation relating to Level 3 investment assets and investment liabilities still held by the University at June 30, 2024 is \$121,508 and is reflected in "Realized and change in unrealized appreciation/depreciation, net" in the Consolidated Statements of Changes in Net Assets.

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

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

	Beginning balance as of July 1, 2022	Net realized gains/ (losses)	Net change in unrealized (depreciation)/ appreciation ¹	Purchases/ contributions	Sales/ distributions	Transfers into Level 3	Transfers out of Level 3 ²	Ending balance as of June 30, 2023
PRIOR YEAR NET ASSETS SUBJECT TO FAIR VALUE LEVELING								
	\$ 1,780,605	\$ 24,079	\$ (48,908)	\$ 617,179	\$ (613,838)		\$ (100)	\$ 1,759,017

¹ Total change in unrealized (depreciation)/appreciation relating to Level 3 investment assets and investment liabilities still held by the University at June 30, 2023 is \$35,939 and is reflected in "Realized and change in unrealized appreciation/(depreciation), net" in the Consolidated Statements of Changes in Net Assets.

² The transfers out of Level 3 represent interests in private companies that underwent an initial public offering during the fiscal year.

Investment strategy and risk

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

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

Investments in global markets involve a multitude of risks such as price, interest rate, market, sovereign, currency, liquidity and credit risks, amongst many others. The University manages exposure to these risks through established policies and procedures related to its ongoing investment diligence and operational due diligence programs. The University also considers manager concentration risk. As of June 30, 2024, 13% of the GIA NAV was invested across 5 diversified fund managers. The University anticipates that the value and composition of its investments may, from time to time, fluctuate substantially in response to any or all of the risks described herein.

Cash and cash equivalents

Cash and cash equivalents are recorded at cost, which approximates fair value, and includes cash in bank accounts, institutional money market funds and other temporary

investments held for working capital purposes with original maturities of three months or less. Cash and cash equivalents do not include cash balances held as collateral by the University. Cash and cash equivalents designated for investment purposes are included in the “Investment portfolio, at fair value” in the *Consolidated Balance Sheets*.

Repurchase agreements

The University *Consolidated Balance Sheets* display the assets generated by repurchase transactions. The University enters into these transactions under agreements containing master netting arrangements. The University requires the fair value of the collateral exchanged under these agreements to be equal to or in excess of the total amount of the agreement, including interest where applicable. At June 30, 2024 and 2023 the University had gross asset repurchase agreements of \$0.3 billion and \$0.2 billion which were fully collateralized. The University does not offset repurchase agreements that are subject to master netting arrangements or similar arrangements on the University's *Consolidated Balance Sheets*.

Dividend and interest income

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

Traded securities

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

Derivatives

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

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

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

The following table presents information about the University's derivatives by primary risk exposure for the years ended June 30, 2024 and 2023 (in thousands of dollars):

	As of June 30, 2024			For the year ended June 30, 2024	As of June 30, 2023			For the year ended June 30, 2023
	Average Quarterly Notional	Gross derivative assets	Gross derivative liabilities	Net profit/ (loss) ⁴	Average Quarterly Notional	Gross derivative assets	Gross derivative liabilities	Net profit/ (loss) ⁴
Primary risk exposure								
Equity instruments	\$ 1,796,421	\$ 79,883	\$ 13,682	\$ 178,867	\$ 2,328,894	\$ 115,648	\$ 41,180	\$ 131,794
Fixed income instruments ¹	117,000		1,829	2,222	117,000		3,624	3,929
Currency instruments	2,766	4,355	4,359	(830)	18,875	1,121	1,123	(1,792)
Credit instruments	4,810	4,800		236	4,800	4,797		132
SUBTOTAL		\$ 89,038	\$ 19,870	\$ 180,495		\$ 121,566	\$ 45,927	\$ 134,063
TOTAL COUNTERPARTY NETTING²		(11,940)	(11,940)			(27,712)	(27,712)	
NET AMOUNTS INCLUDED IN THE CONSOLIDATED BALANCE SHEETS³		77,098	7,930			93,854	18,215	
Collateral								
Cash collateral received/posted		122				120		
Securities collateral received/ posted ⁵		86,717	32,983			89,351	98,305	
TOTAL SECURITIES COLLATERAL RECEIVED/POSTED		86,839	32,983			89,471	98,305	
NET AMOUNT		(9,741)	(25,053)			4,383	(80,090)	
NET AMOUNT IN ACCORDANCE WITH ASC 210⁶		\$ 0	\$ 0			\$ 4,383	\$ 0	

¹ For the year ended June 30, 2024 and 2023 the balance represents an interest rate exchange swap on the University's debt portfolio.

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

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

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

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

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

External advisors

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

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

The University, as an investor, has commitments to make periodic contributions in future periods to the investments managed by external advisors. The amounts of these expected disbursements as of June 30, 2024 and 2023 are disclosed below (in thousands of dollars):

	As of June 30, 2024			As of June 30, 2023		
	Fair value ¹	Remaining unfunded commitments	Estimated remaining life ²	Fair value ¹	Remaining unfunded commitments	Estimated remaining life ²
Private equity funds	\$ 19,009,670	\$ 8,208,903	4 – 10	\$ 18,505,877	\$ 8,958,071	4 – 10
Real estate funds	2,929,004	1,957,707	4 – 10	2,790,305	2,048,930	4 – 10
Other externally managed funds ³	3,368,975	2,258,213	2 – 8	3,517,860	2,317,366	2 – 8
TOTAL	\$ 25,307,649	\$ 12,424,823		\$ 24,814,042	\$ 13,324,367	

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

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

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

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

Direct investments

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

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

4. RECEIVABLES

The major components of receivables, net of reserves for doubtful accounts of \$13.6 million and \$16.4 million as of June 30, 2024 and 2023, respectively, were as follows (in thousands of dollars):

	2024	2023
Federal sponsored support	\$ 79,024	\$ 74,844
Publications	68,407	69,487
Continuing education and executive programs	63,555	57,330
Leases	33,225	32,820
Tuition and fees	22,066	22,579
Gift receipts	20,843	7,067
Non-federal sponsored support	15,131	17,791
Other	68,728	67,353
TOTAL RECEIVABLES, NET	\$ 370,979	\$ 349,271

5. NOTES RECEIVABLE

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

	2024			2023		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student loans:						
Government revolving	\$ 19,029	\$ 447	\$ 18,582	\$ 22,240	\$ 519	\$ 21,721
Institutional	74,195	1,677	72,518	73,473	1,631	71,842
Total student loans	93,224	2,124	91,100	95,713	2,150	93,563
Faculty and staff loans	327,461	179	327,282	300,710	179	300,531
Other loans	43,323	37,429	5,894	42,527	36,220	6,307
TOTAL	\$ 464,008	\$ 39,732	\$ 424,276	\$ 438,950	\$ 38,549	\$ 400,401

Government revolving loans are funded principally with federal advances to the University under the Perkins Loan, the Health Professions Student Loan (HPSL) and Loans for Disadvantaged Students in Health Professions (LDS) Programs. These advances totaled \$21.7 million and \$24.7 million as of June 30, 2024 and 2023, respectively, and are included in "Deferred revenue and other liabilities" in the *Consolidated Balance Sheets*. During fiscal year 2018, the

Perkins Loan Program ended and as a result the University began making required repayments to the government. In fiscal year 2024, the University made the requested \$3.7 million repayment. Interest earned on the revolving and institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

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

The University assesses the adequacy of the allowance for doubtful accounts by evaluating the loan portfolio, including such factors as the differing economic risks

associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral, and, where applicable, the existence of any guarantees or indemnifications. In addition to these factors, the University reviews the aging of the loans receivable and the default rate in comparison to prior years. The allowance is adjusted based on these reviews. The University considers the allowance at June 30, 2024 and 2023 to be reasonable and adequate to absorb potential credit losses inherent in the loan portfolio.

6. PLEDGES RECEIVABLE

Unconditional promises to donate to the University in the future are initially recorded at fair value (pledge net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The University's indicative 1- to 15-year taxable unsecured borrowing rate is used to discount pledges receivable at the end of the fiscal year they are received. Discounts of \$329.4 million and \$351.2 million for the years ended June 30, 2024 and 2023, respectively, were calculated using rates ranging from 0.7% to 5.0%.

Pledges receivable included in the financial statements as of June 30, 2024 and 2023 are expected to be realized as follows (in thousands of dollars):

	2024	2023
Within one year	\$ 912,669	\$ 866,208
Between one and five years	1,601,043	1,711,457
More than five years	518,285	603,713
Less: discount and allowance for uncollectible pledges	(453,208)	(481,744)
TOTAL PLEDGES RECEIVABLE, NET	\$ 2,578,789	\$ 2,699,634

Pledges receivable as of June 30, 2024 and 2023 have been designated for the following purposes (in thousands of dollars):

	2024	2023
General Operating Account balances:		
Gifts for current use	\$ 884,831	\$ 952,604
Non-federal sponsored awards	168,935	199,014
Construction and life income	267,026	294,530
Total General Operating Account balances	1,320,792	1,446,148
Endowment	1,257,997	1,253,486
TOTAL PLEDGES RECEIVABLE, NET	\$ 2,578,789	\$ 2,699,634

Because of uncertainties with regard to realizability and valuation, bequest intentions and other conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges totaled \$118.4 million and \$122.4 million as of June 30, 2024 and 2023, respectively.

7. FIXED ASSETS

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

The major categories of fixed assets as of June 30, 2024 and 2023 are summarized as follows (in thousands of dollars):

	2024	2023	Estimated useful life (in years)
Research facilities	\$ 3,564,551	\$ 3,446,121	*
Classroom and office facilities	2,769,248	2,596,184	35
Housing facilities	2,698,887	2,638,555	35
Other facilities	436,551	435,738	35
Service facilities	1,204,127	1,148,704	35
Libraries	558,412	549,503	35
Museums and assembly facilities	1,004,303	1,001,370	35
Athletic facilities	311,268	280,432	35
Land	1,025,195	1,024,986	N/A
Construction in progress	739,397	554,978	N/A
Equipment	1,518,751	1,488,311	**
SUBTOTAL AT COST	15,830,690	15,164,882	
Less: accumulated depreciation	(6,897,594)	(6,568,899)	
FIXED ASSETS, NET	\$ 8,933,096	\$ 8,595,983	

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

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

Certain University facilities are subject to restrictions as to use, structural modifications, and ownership transfer. Included in the fixed asset balances are restricted facilities with a net book value of \$275.6 million and \$276.6 million as of June 30, 2024 and 2023, respectively.

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

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

The University has asset retirement obligations related to future estimated environmental remediation costs of \$195.9 million and \$186.2 million, which are included in “Deferred revenue and other liabilities” in the *Consolidated Balance Sheets* as of June 30, 2024 and 2023, respectively.

Right-of-use assets from finance leases of \$66.4 million and \$45.5 million are included in “Fixed assets, net” in the *Consolidated Balance Sheets* as of June 30, 2024 and 2023, respectively. Lease liabilities from finance leases of \$100.6 million and \$79.2 million are included in “Deferred revenue and other liabilities” in the *Consolidated Balance Sheets* as of June 30, 2024 and 2023, respectively.

8. ENDOWMENT AND GENERAL OPERATING ACCOUNT NET ASSETS

The University's net assets consisted of the following as of June 30, 2024 and 2023 (in thousands of dollars):

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
NATURE OF SPECIFIC NET ASSETS						
Perpetual endowment funds		\$ 10,007,062	\$ 10,007,062		\$ 9,652,906	\$ 9,652,906
Endowment funds and appreciation subject to distribution policy and appropriation		31,895,204	31,895,204		30,201,162	30,201,162
Endowment funds without restriction, board designated and subject to distribution policy	\$ 9,636,717		9,636,717	\$ 9,229,293		9,229,293
Pledge balances		1,257,997	1,257,997		1,253,486	1,253,486
Interests in trusts held by others		438,225	438,225		411,747	411,747
TOTAL ENDOWMENT	9,636,717	43,598,488	53,235,205	9,229,293	41,519,301	50,748,594
Operating	6,946,027		6,946,027	6,640,552		6,640,552
Unexpended contributions and endowment distributions		3,379,241	3,379,241		3,395,978	3,395,978
Student loan funds		100,202	100,202		100,178	100,178
TOTAL GENERAL OPERATING ACCOUNT	6,946,027	3,479,443	10,425,470	6,640,552	3,496,156	10,136,708
Split interest agreements (<i>Note 9</i>)		670,623	670,623		634,217	634,217
TOTAL NET ASSETS	\$ 16,582,744	\$ 47,748,554	\$ 64,331,298	\$ 15,869,845	\$ 45,649,674	\$ 61,519,519

Endowment

The University's endowment consists of approximately 14,600 separate funds established over many years for a wide variety of purposes. Endowment fund balances are classified and reported in accordance with donor specifications and state law. The endowment includes both donor-restricted endowment funds and funds functioning as endowment which are not subject to donor-imposed restrictions, however decisions to spend their principal require the approval of the Corporation and therefore are classified as Board-designated endowment funds. The majority of the endowment is invested in the GIA (see *Note 3*).

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

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

The University's endowment distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and generate a predictable stream of available income. Each fall, the Corporation approves

the endowment distribution for the following fiscal year. Distribution from an underwater endowment fund (a fund below its historic dollar value) could continue in limited and defined circumstances under the University's endowment distribution policy. To the extent that the fair value of a donor restricted endowment fund falls below its historic dollar value it would be reported as a reduction of net assets with donor restrictions.

At June 30, 2024 and 2023, funds in a deficit position were reported in net assets with donor restrictions and are comprised as follows (in thousands):

	2024	2023
Fair value of underwater endowment funds	\$ 13,335	\$ 241,967
Historic dollar value	13,928	246,804
TOTAL DEFICIT OF UNDERWATER ENDOWMENT FUNDS	\$ (593)	\$ (4,837)

The endowment distribution is based in part on presumptive guidance from a formula that is intended to provide budgetary stability by smoothing the impact of annual investment gains and losses. The formula's inputs reflect expectations about long-term returns and inflation rates. For fiscal year 2024, the endowment distribution approved by the Corporation (prior to decapitalizations) was equal to 5.0% of the fair value of the endowment invested in the GIA as of the beginning of the fiscal year. The total endowment distribution made available for operations was \$2.4 billion and \$2.2 billion in fiscal year 2024 and 2023, respectively.

Each year the Corporation also approves certain decapitalizations from the endowment to support strategic, mission-critical activities or objectives that are typically one-time or time-limited and therefore, are excluded from net operating surplus. These decapitalizations totaled \$38.7 million and \$43.4 million in fiscal year 2024 and 2023, respectively. These additional decapitalizations, in combination with the endowment distribution, resulted in an aggregate payout rate of 5.0% and 4.7% in fiscal year 2024 and 2023, respectively.

General operating account

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

9. SPLIT INTEREST AGREEMENTS

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

other institutions. These liabilities are calculated using the University’s current taxable unsecured borrowing rate of 5.0% and 4.9% as of June 30, 2024 and 2023, respectively. All split interest agreement net assets and the respective activity are reported within net assets with donor restrictions. Upon termination of a split interest agreement, the net assets are transferred to the GOA or endowment accordingly.

The changes in split interest agreement net assets for fiscal years 2024 and 2023 were as follows (in thousands of dollars):

	2024	2023
Investment return:		
Investment income	\$ 20,273	\$ 19,760
Realized and change in unrealized appreciation/(depreciation), net	115,681	39,925
Total investment return	135,954	59,685
Gifts (Note 14) ¹	5,994	6,279
Payments to annuitants	(68,969)	(74,072)
Transfers to endowment	(23,560)	(50,747)
Transfers between SIA and the GOA	(18,896)	(28,398)
Change in liabilities and other adjustments	5,883	20,930
NET CHANGE DURING THE YEAR	36,406	(66,323)
Total split interest agreement net assets, beginning of year	634,217	700,540
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, END OF YEAR	\$ 670,623	\$ 634,217

¹ Shown at net present value. The undiscounted value of these gifts was \$13,573 and \$12,342 for the years ended June 30, 2024 and 2023, respectively.

Split interest agreement net assets as of June 30, 2024 and 2023 consisted of the following (in thousands of dollars):

	2024	2023
Split interest agreement investments (Note 3)		
Charitable remainder trusts	\$ 1,043,608	\$ 1,006,615
Charitable lead trusts	102,711	99,011
Charitable gift annuities	264,521	265,662
Pooled income funds	165,100	149,151
Total split interest agreement investments ¹	1,575,940	1,520,439
Liabilities due under split interest agreements:		
Amounts due to beneficiaries	(827,251)	(815,056)
Amounts due to other institutions	(78,066)	(71,166)
Total liabilities due under split interest agreements	(905,317)	(886,222)
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, END OF YEAR	\$ 670,623	\$ 634,217

¹ For the year ended June 30, 2024, \$876,711 of SIA investments are held in the pooled general investment account and \$699,229 of SIA investments are held in the other investments outside the general investment account. For the year ended June 30, 2023, \$863,185 of SIA investments are held in the pooled general investment account and \$657,254 of SIA investments are held in the other investments outside the general investment account. Refer to Note 3.

10. BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2024 and 2023 were as follows (in thousands of dollars):

	Fiscal year of issue	Fiscal year of final maturity ¹	Effective rate ²	Outstanding principal	
				2024 ³	2023 ³
TAX-EXEMPT BONDS AND COMMERCIAL PAPER:					
Variable-rate demand bonds and commercial paper:					
Series R – daily	2000-2006	2032	2.4%	\$ 81,850	\$ 98,300
Series Y – daily	2000	2036	2.8%	117,905	117,905
Commercial paper	2023	2024	3.3%		25,000
Total variable-rate bonds and commercial paper			2.6%	199,755	241,205
Fixed-rate bonds:					
Series 2016A	2017	2041	4.1%	1,073,110	1,434,825
Series 2020A	2020	2031	4.4%	346,680	346,680
Series 2022B	2022	2033	4.3%	207,830	207,830
Series 2024B	2024	2036	4.2%	734,995	
Total fixed-rate bonds			4.2%	2,362,615	1,989,335
TOTAL TAX-EXEMPT BONDS AND COMMERCIAL PAPER			4.1%	2,562,370	2,230,540
TAXABLE BONDS AND COMMERCIAL PAPER:					
Variable-rate bonds and commercial paper:					
Commercial paper	2023	2024	5.4%		152,296
Total variable-rate bonds and commercial paper			5.4%	0	152,296
Fixed-rate bonds:					
Series 2008A	2008	2039	5.6%	243,000	243,000
Series 2008D	2009	2039	6.5%	500,000	500,000
Series 2010C	2011	2041	4.9%	300,000	300,000
Series 2013A	2013	2038	3.6%	352,000	402,000
Series 2016B	2017	2057	3.2%	1,000,000	1,000,000
Series 2020B	2020	2051	2.5%	500,000	500,000
Series 2022A	2022	2053	3.8%	500,000	500,000
Series 2024A	2024	2035	4.6%	750,000	
Total fixed-rate bonds			4.2%	4,145,000	3,445,000
TOTAL TAXABLE BONDS AND COMMERCIAL PAPER			4.2%	4,145,000	3,597,296
Notes payable	Various	Various	Various	85,717	84,730
Unamortized original issuance premium/discount, net				365,888	321,570
Unamortized bond issuance costs				(24,895)	(19,402)
TOTAL BONDS AND NOTES PAYABLE			4.1%	\$ 7,134,080	\$ 6,214,734

¹ The weighted average maturity of the portfolio on June 30, 2024 was 15.7 years.

² For fixed-rate bonds the effective rate is calculated as: coupon rate x (par value / book value*). For variable rate bonds and commercial paper the effective rate is the one-year average rate. Effective rates are exclusive of the Series Y interest rate exchange agreement, which would not have impacted the overall portfolio rate of 4.12% in fiscal year 2024.

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

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

Interest expense related to bonds and notes payable, net of amortization and accretion, was \$225.3 million and \$207.4 million for fiscal 2024 and 2023, respectively. The interest expense in the *Consolidated Statement of Changes in Net Assets with General Operating Account Detail* includes additional components related to finance leases. Excluding unamortized discounts and premiums, unamortized underwriter's discount and unamortized cost of issuance, scheduled principal payments are (in thousands of dollars):

Fiscal year	Principal payments
2025	\$ 41,441
2026	100,967
2027	102,795
2028	104,656
2029	111,213
Thereafter	6,332,016
TOTAL PRINCIPAL PAYMENTS	\$ 6,793,088

In fiscal 2024, the University issued \$750.0 million of taxable fixed-rate Series 2024A Bonds and \$855.0 million (\$735.0 million par) of tax-exempt fixed-rate Series 2024B Bonds. Proceeds from the Series 2024A issue will be used to fund future University capital spending. Proceeds from the Series 2024B issue were used to refund a portion of the University's outstanding tax-exempt debt and will be used to fund or refinance capital spending on campus.

The University refunded \$359.9 million of par bonds with the Series 2024B issue (\$334.9 million of Series 2016A bonds and \$25.0 million of tax-exempt commercial paper). Additionally, in fiscal 2024, the University had \$92.2 million of scheduled long-term principal maturities, \$152.3 million of taxable commercial paper maturities, \$38.7 million of amortizing bond premium (net of amortizing fees and issuance discounts), and another \$35.2 million in write-offs of amortizing bond premium and issuance fees related to the refunded Series 2016A Bonds. The result of the various issuances and pay-downs was an overall increase in the University's bonds and notes payable from \$6.2 billion to \$7.1 billion.

The University is rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Global Ratings. The Moody's rating was re-affirmed in March 2024 and the Standard & Poor's rating was re-affirmed in February 2024.

The University has one unsecured, revolving credit facility with a syndicate of banks totaling \$1.5 billion. In September 2024, the facility was extended until December 2027. There was no outstanding drawn balance on the credit facility at June 30, 2024.

11. EMPLOYEE BENEFITS

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

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

The University has taxable commercial paper available totaling \$2.0 billion. There was no drawn balance on the taxable commercial paper line at June 30, 2024.

The University has tax-exempt commercial paper available totaling \$1.0 billion. There was no drawn balance on the tax-exempt commercial paper line at June 30, 2024.

At June 30, 2024, the University had \$199.8 million of variable rate demand bonds outstanding with daily interest rate resets. In the event that the University receives notice of any optional tender on its variable rate demand bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will have a general obligation to purchase the bonds tendered with cash on hand.

Interest rate exchange agreements

In fiscal 2024, the University had in place one interest rate exchange agreement, used to manage the interest cost and risk associated with a portion of its outstanding variable rate debt.

The fair value of the interest rate exchange agreement was (\$1.8) million and (\$3.6) million as of June 30, 2024 and 2023, respectively, and is recorded in "Other liabilities associated with the investment portfolio" on the University's *Consolidated Balance Sheets*.

457(b) deferred compensation plan

The University offers a non-qualified deferred compensation plan under Internal Revenue Code 457(b) to a select group of employees. There is no University contribution related to the plan. The University has recorded both an asset and a liability related to the plan of \$256.5 million as of June 30, 2024 and \$220.1 million as of June 30, 2023; the assets are included in "Prepayments and deferred charges" and the liabilities are included in "Deferred revenue and other liabilities" on the University's *Consolidated Balance Sheets*.

Pension benefits

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

In accordance with the Employee Retirement Income Security Act (ERISA) requirements, the University has established a trust to hold plan assets for its defined benefit pension plans. The fair value of the trust's assets was \$779.3 million and \$793.1 million as of June 30, 2024 and 2023, respectively. During fiscal years 2024 and 2023, the University made cash contributions to the defined benefit pension plan of \$11.1 million and \$12.7 million, respectively. The University recorded expenses for its defined contribution plans of \$190.9 million for fiscal year 2024 and \$175.7 million for fiscal year 2023.

Postretirement health benefits

The University provides postretirement health coverage and life insurance to substantially all of its employees. In fiscal year 2024, the University established a trust to hold plan assets for its postretirement health plan. The fair value of the trust's assets was \$602.5 million as of June 30, 2024 and was funded from internally designated funds held within the GIA. Additionally, as of June 30, 2024, the University had internally designated and invested \$411.1 million in the GIA to fund the postretirement health benefit accrued liability of \$236.5 million. As of June 30, 2023, the University had internally designated and invested \$996.9 billion to fund the postretirement health benefit accrued liability of \$799.0 million.

The following table sets forth the pension and postretirement plans' funded status that is reported in the *Consolidated Balance Sheets* as of June 30, 2024 and 2023 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 834,367	\$ 944,511	\$ 798,964	\$ 835,208
Service cost	4,000	6,629	20,072	22,052
Interest cost	45,918	46,401	45,093	41,361
Plan participants' contributions			11,054	10,377
Gross benefits paid	(56,062)	(87,732)	(43,666)	(44,496)
Actuarial (gain)/loss	(8,858)	(75,442)	7,403	(65,592)
Plan amendments			60	54
BENEFIT OBLIGATION, END OF YEAR¹	819,365	834,367	838,980	798,964
Change in plan assets:				
Fair value of plan assets, beginning of year	793,133	851,205		
Employer contribution to establish postretirement health plan trust			580,725	
Actual return on plan assets	31,062	16,939	54,365	
Employer contributions	11,135	12,721		34,119
Plan participants' contributions			11,054	10,377
Gross benefits paid	(56,062)	(87,732)	(43,666)	(44,496)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	779,268	793,133	602,478	0
UNFUNDED STATUS²	\$ (40,097)	\$ (41,234)	\$ (236,502)	\$ (798,964)

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

² These amounts totaling \$276,599 as of June 30, 2024 and \$840,198 as of June 30, 2023 are included in the "Accrued Retirement Obligations" line in the Consolidated Balance Sheets.

The accumulated pension benefit obligation (ABO) is a measurement of the University's pension benefit obligation, based on past and present compensation levels and does not include assumed salary increases. The ABO was \$753.6 million and \$760.6 million at June 30, 2024 and 2023,

respectively. The funded status disclosed above has been prepared in accordance with pension accounting rules. When measured on an IRS funding basis, which informs the University's required cash contribution amount, the plan was overfunded at January 1, 2024.

Net periodic benefit cost

Components of net periodic benefit cost and other amounts recognized in the *Consolidated Statements of Changes in Net Assets with General Operating Account Detail* are summarized as follows for the years ended June 30, 2024 and 2023 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2024	2023	2024	2023
Components of net periodic benefit cost:				
Operating				
Service cost	\$ 4,000	\$ 6,629	\$ 20,072	\$ 22,052
Total operating activity	4,000	6,629	20,072	22,052
Non-operating				
Interest cost	45,918	46,401	45,093	41,361
Expected return on plan assets	(41,429)	(42,209)		
Amortization of:				
Actuarial gain			(22,446)	(19,055)
Prior service cost/(credit)	33	287	(5,303)	(7,931)
Total non-operating activity ¹	4,522	4,479	17,344	14,375
Total net periodic benefit cost	8,522	11,108	37,416	36,427
Other amounts recognized in non-operating activity in unrestricted net assets:				
Current year net actuarial loss/(gain)	1,509	(50,173)	(46,963)	(65,592)
Plan amendments			60	54
Amortization of:				
Prior service (cost)/credit	(33)	(287)	5,303	7,931
Actuarial gain			22,446	19,055
Total other amounts recognized in non-operating activity ¹	1,476	(50,460)	(19,154)	(38,552)
TOTAL RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITH GENERAL OPERATING ACCOUNT DETAIL	\$ 9,998	\$ (39,352)	\$ 18,262	\$ (2,125)

¹ These amounts totaling \$4,188 in fiscal year 2024 and (\$70,158) in fiscal year 2023 include gains and losses and other changes in the actuarially determined benefit obligations arising in the current period but that have not yet been reflected within net periodic benefit cost/(income) and are included in the "Change in Retirement Obligations" line in the Consolidated Statements of Changes in Net Assets with General Operating Account Detail.

Cumulative amounts recognized as non-operating changes in net assets without donor restrictions are summarized as follows for the years ended June 30, 2024 and 2023 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2024	2023	2024	2023
Net actuarial loss/(gain)	\$ 13,584	\$ 12,075	\$ (433,545)	\$ (409,029)
Prior service cost/(credit)		33	(20,416)	(25,779)
CUMULATIVE AMOUNTS RECOGNIZED IN UNRESTRICTED NET ASSETS	\$ 13,584	\$ 12,108	\$ (453,961)	\$ (434,808)

Other assumptions and health care cost trend rates used in determining the year end obligation as well as the net periodic benefit cost of the pension and postretirement health plans are summarized as follows for fiscal years 2024 and 2023:

	Pension benefits		Postretirement health benefits	
	2024	2023	2024	2023
Weighted-average assumptions used to determine benefit obligation as of June 30:				
Discount rate	5.80%	5.70%	5.75%	5.60%
Compensation increase trend:				
Initial rate	5.00%	5.00%	5.00%	5.00%
Ultimate rate	3.50%	3.50%	3.50%	3.50%
Year of ultimate	2025	2025	2025	2025
Cash balance (or similar formula) interest crediting rate	5.25%	5.25%	N/A	N/A
Pension increases for in-payment benefits increase trend:	0.13%			
Initial rate	N/A	1.00%	N/A	N/A
Ultimate rate	N/A	0.13%	N/A	N/A
Year of ultimate	N/A	2024	N/A	N/A
Current health care cost trend rate:				
Pre-65	N/A	N/A	7.00%	7.25%
Post-65	N/A	N/A	6.50%	6.75%
EGWP	N/A	N/A	(26.01%)	16.00%
Ultimate health care cost trend rate:				
Pre-65 and Post-65	N/A	N/A	5.00%	5.00%
EGWP	N/A	N/A	5.00%	4.00%
Year of ultimate	N/A	N/A	2031	2029
Weighted-average assumptions used to determine net periodic benefit (income)/cost:				
Discount rate	5.70%	5.05%	5.60%	4.90%
Expected long-term rate of return on plan assets	5.00%	4.75%	N/A	N/A
Compensation increase trend:				
Initial rate	5.00%	5.00%	5.00%	5.00%
Ultimate rate	3.50%	3.50%	3.50%	3.50%
Year of ultimate	2025	2025	2025	2025
Pension increases for in-payment benefits increase trend:				
Initial rate	1.00%	1.50%	N/A	N/A
Ultimate rate	0.13%	0.25%	N/A	N/A
Year of ultimate	2024	2025	N/A	N/A
Health care cost trend rate:				
Initial rate Pre-65	N/A	N/A	7.25%	7.00%
Initial rate Post-65	N/A	N/A	6.75%	7.00%
Ultimate rate	N/A	N/A	5.00%	5.00%
Year of ultimate	N/A	N/A	2029	2029

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

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

Plan assets

The actual asset allocation of the investment portfolio for the pension plan at June 30, 2024 and 2023, along with target allocations for June 30, 2025, is as follows:

	2025 Target	June 30, 2024	June 30, 2023
Asset allocation by category for pension plan:			
Fixed income securities	75-90%	80.9%	80.4%
Equity securities	15-25	18.5	19.5
Cash	0-5	0.6	0.1
TOTAL OF ASSET ALLOCATION CATEGORIES		100.0%	100.0%

The University's investment strategy for the pension portfolio is to manage the assets across a broad and diversified range of investment categories, both domestic and international. The objective is to achieve a risk-adjusted return that is in line with the long-term obligations that the University has to the pension plan beneficiaries. During fiscal year 2024, the University increased its allocation to fixed income securities to manage the interest rate volatility associated with its pension obligations. The

University expects to keep this strategy in future years. The investment program is also managed to comply with all ERISA regulations.

The following is a summary of the levels within the fair value hierarchy for the pension plan assets subject to fair value measurement as of June 30, 2024 and 2023 (in thousands of dollars):

	2024				2023	
	Level 1	Level 2	Level 3	Net asset value	Total	Total
PLAN ASSETS:						
Cash and short-term investments	\$ 17,850				\$ 17,850	\$ 13,408
Domestic equity				\$ 66,814	66,814	64,305
Foreign equity				74,061	74,061	72,215
Domestic fixed income				619,290	619,290	589,061
Emerging market equity and debt					0	14,776
Hedge funds				102	102	137
Private equity				1,123	1,123	1,250
High yield					0	37,974
PLAN ASSETS SUBJECT TO FAIR VALUE LEVELING	\$ 17,850	\$ 0	\$ 0	\$ 761,390	\$ 779,240	\$ 793,126
Other assets not subject to fair value					28	7
TOTAL PLAN ASSETS					\$ 779,268	\$ 793,133

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

Expected future benefit payments

Employer contributions of \$15.4 million are expected for fiscal year 2025 to fund the pension benefit plan.

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

Fiscal year	Expected benefit payments	
	Pension	Postretirement health
2025	\$ 66,106	\$ 30,510
2026	66,302	36,259
2027	67,416	38,976
2028	68,355	41,631
2029	69,122	44,362
Thereafter	346,123	262,878

12. STUDENT FINANCIAL AID

Financial aid granted to students in fiscal 2024 and 2023 is summarized as follows (in thousands of dollars):

	2024	2023
Scholarships and other student awards:		
Scholarships applied to student income ¹	\$ 556,716	\$ 530,743
Scholarships and other student awards paid directly to students	192,419	181,295
Total scholarships and other student awards	749,135	712,038
Student employment	104,302	101,699
Student loans	13,632	13,722
Agency financial aid ²	24,726	23,889
TOTAL STUDENT FINANCIAL AID	\$ 891,795	\$ 851,348

¹ Includes \$249,978 and \$235,832 in fiscal 2024 and 2023, respectively, of undergraduate scholarships applied to student income.

² Represents aid from sponsors for which the University acts as an agent for the recipient.

13. SPONSORED SUPPORT

Total expenditures funded by US government sponsors or by institutions that subcontract federally sponsored projects to the University were \$686.5 million and \$676.1 million in fiscal year 2024 and 2023, respectively. The University's principal source of federally sponsored funds is the Department of Health and Human Services. The University also has many non-federal sources of sponsored awards and grants, including corporations, foundations, state and local governments, foreign governments, and research institutes.

Sponsored grants and contracts normally provide for the recovery of direct and indirect costs. Recovery of related indirect costs is generally recorded at fixed or predetermined rates negotiated with the federal government and other sponsors. Predetermined federal indirect cost rates have been established for the University Area and the Medical School (including the School of Dental Medicine) through fiscal year 2028. The T.H. Chan School of Public Health has predetermined indirect cost rates through fiscal year 2024. Funds received for federally sponsored activity are subject to audit.

14. GIFTS

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

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

Gifts received for the year ended June 30, 2024 are summarized as follows (in thousands of dollars):

	2024	
	Gifts received	Donor redesignations/ other changes
Current use	\$ 530,001	\$ (2,322)
Non-federal sponsored grants	224,129	(6,054)
Endowment funds	366,556	1,567
Split interest agreements ¹	5,994	
Loan funds and facilities	54,140	169
TOTAL GIFTS	\$ 1,180,820	\$ (6,640)

¹ Shown at net present value. The undiscounted value of these gifts was \$13,573 for the year ended June 30, 2024.

Gifts received for the year ended June 30, 2023 are summarized as follows (in thousands of dollars):

	2023	
	Gifts received	Donor redesignations/ other changes
Current use	\$ 482,107	\$ 3,775
Non-federal sponsored grants	232,226	(2,782)
Endowment funds	566,660	(6,053)
Split interest agreements ¹	6,279	
Loan funds and facilities	96,210	(35)
TOTAL GIFTS	\$ 1,383,482	\$ (5,095)

¹ Shown at net present value. The undiscounted value of these gifts was \$12,342 for the year ended June 30, 2023.

15. OTHER REVENUE

The major components of other revenue for the years ended June 30, 2024 and 2023 were as follows (in thousands of dollars):

	2024	2023
Publications and royalties from copyrights	\$ 280,534	\$ 281,024
Rental and parking ¹	160,345	141,449
Services income	139,404	136,811
Royalties from the commercialization of intellectual property ²	106,996	58,989
Health and clinic fees	73,414	72,580
Sales income	34,827	32,376
Interest income	21,784	15,317
Other student income	4,447	5,025
Other	61,261	49,345
TOTAL OTHER REVENUE	\$ 883,012	\$ 792,916

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

² Distributions to external parties is recorded as expense in "Services purchased."

16. OTHER EXPENSES

The major components of other expenses for the years ended June 30, 2024 and 2023 were as follows (in thousands of dollars):

	2024	2023
Subcontract expenses under sponsored projects	\$ 184,344	\$ 179,941
Travel	104,896	93,449
Advertising	65,670	65,353
Publishing	50,703	50,202
Taxes and fees	44,039	42,196
Insurance	24,051	23,207
Postage	14,398	14,911
Fixed asset impairments	11,769	7,394
Telephone	9,135	10,971
Other	86,620	90,756
TOTAL OTHER EXPENSES	\$ 595,625	\$ 578,380

17. FUNCTIONAL AND NATURAL CLASSIFICATION OF OPERATING EXPENSES

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

Operating expenses by functional classification for the year ended June 30, 2024 were as follows (in thousands of dollars):

	2024				
	Instruction and academic support	Research ¹	Student services and support	Institutional support and auxiliary	Total
Salaries and wages	\$ 1,367,721	\$ 348,837	\$ 179,195	\$ 735,889	\$ 2,631,642
Employee benefits	342,262	82,016	61,915	204,445	690,638
Services purchased	448,121	107,728	80,122	285,104	921,075
Depreciation	47,043	155,104	16,884	221,226	440,257
Space and occupancy	138,512	75,965	38,130	186,543	439,150
Supplies and equipment	87,848	59,237	46,236	96,379	289,700
Interest	21,238	52,593	15,115	137,459	226,405
Scholarships and other student awards			192,419		192,419
Other expense and overhead allocations	51,157	451,784	35,637	57,047	595,625
TOTAL EXPENSES	\$ 2,503,902	\$ 1,333,264	\$ 665,653	\$ 1,924,092	\$ 6,426,911

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

Operating expenses by functional classification for the year ended June 30, 2023 were as follows (in thousands of dollars):

	2023				
	Instruction and academic support	Research ¹	Student services and support	Institutional support and auxiliary	Total
Salaries and wages	\$ 1,261,358	\$ 330,493	\$ 164,182	\$ 665,043	\$ 2,421,076
Employee benefits	307,980	77,943	54,257	188,124	628,304
Services purchased	407,481	126,438	69,973	188,049	791,941
Depreciation	47,043	155,078	16,595	206,093	424,809
Space and occupancy	128,490	68,282	33,859	163,448	394,079
Supplies and equipment	85,546	60,946	44,306	92,525	283,323
Interest	21,307	48,498	14,397	124,388	208,590
Scholarships and other student awards			181,295		181,295
Other expense and overhead allocations	37,026	442,002	35,189	64,163	578,380
TOTAL EXPENSES	\$ 2,296,231	\$ 1,309,680	\$ 614,053	\$ 1,691,833	\$ 5,911,797

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

18. COMMITMENTS AND CONTINGENCIES

Lease commitments

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

Operating and finance lease right of use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the collateralized incremental borrowing rate at the commencement date in determining the present value of future payments. Rent expense related to operating leases, including short-term leases and variable lease payments, was \$114.6 million and \$114.0 million in fiscal year 2024 and 2023, respectively.

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

	Operating	Finance
2025	\$ 82,688	\$ 15,955
2026	79,957	26,303
2027	74,871	16,499
2028	71,492	14,894
2029	69,218	13,999
Thereafter	531,793	125,073
TOTAL LEASE PAYMENTS	910,019	212,723
Less: Imputed interest	(188,146)	(112,089)
PRESENT VALUE OF LEASE LIABILITIES	\$ 721,873	\$ 100,634

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

	June 30, 2024
Weighted average remaining lease term	
Operating leases	14.7 YEARS
Finance leases	14.5 YEARS
Weighted average discount rate	
Operating leases	3.1%
Finance leases	4.6%

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

Fixed asset-related commitments

The University has various commitments for capital projects involving construction and renovation of certain facilities, real estate acquisitions, and equipment purchases, for which the outstanding commitments as of June 30, 2024 totaled approximately \$1.0 billion.

Environmental remediation

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

General

The University is a defendant in various legal actions arising from the normal course of its operations. While it is not possible to predict accurately or determine the eventual outcome of such actions, management believes that the outcome of these proceedings will not have a material adverse effect on the University's financial position, changes in net assets, or cash flows.

The University has evaluated subsequent events through October 16, 2024, the date the financial statements were issued. The University has concluded that no material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.

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