

Washington University
Consolidated Financial Statements
June 30, 2026 and 2025

Washington University

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June 30, 2026 and 2025

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Report of Independent Auditors

To the Board of Trustees of Washington University

Opinion

We have audited the accompanying consolidated financial statements of Washington University and its affiliates (the "University"), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

PricewaterhouseCoopers LLP

Washington, District of Columbia
October 7, 2026

Washington University
Consolidated Statements of Financial Position
June 30, 2026 and 2025

(thousands of dollars)

	2026	2025
Assets		
Cash and cash equivalents	\$ 378,926	\$ 422,968
Accounts and notes receivable, net	1,115,687	910,080
Pledges receivable, net	810,811	647,429
Investments	20,997,350	16,071,530
Other assets	393,927	382,524
Right-of-use assets	59,982	80,312
Fixed assets, net	3,737,559	3,815,889
Total assets	<u>\$ 27,494,242</u>	<u>\$ 22,330,732</u>
Liabilities		
Accounts payable and accrued expenses	\$ 291,690	\$ 297,583
Accrued compensation and benefits	662,782	525,839
Deferred revenue and contract liabilities	111,561	107,197
Lease liability	69,717	88,205
Professional liability	142,287	118,229
Deposits, advances and other	434,963	34,198
Liabilities under split-interest agreements	36,600	36,229
Notes and bonds payable	3,326,380	3,286,337
Total liabilities	<u>5,075,980</u>	<u>4,493,817</u>
Net Assets		
Without donor restrictions	10,447,951	8,632,956
With donor restrictions	11,970,311	9,203,959
Total net assets	<u>22,418,262</u>	<u>17,836,915</u>
Total liabilities and net assets	<u>\$ 27,494,242</u>	<u>\$ 22,330,732</u>

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

Washington University
Consolidated Statement of Activities
Year Ended June 30, 2026

<i>(thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Tuition and fees	\$ 434,545	\$ -	\$ 434,545
Endowment spending distribution	565,490	27,804	593,294
Investment income	83,910	828	84,738
Gifts	114,197	165,112	279,309
Grants and contracts revenues			
Direct costs recovered	732,239	-	732,239
Facilities and administrative costs recovered	266,804	-	266,804
Patient services, net	2,058,338	-	2,058,338
Auxiliary enterprises - sales and services	162,251	-	162,251
Educational activities - sales and services	191,932	-	191,932
Affiliated hospital revenues	427,356	-	427,356
Other revenue	47,952	2	47,954
Net assets released from restrictions	204,802	(204,802)	-
Total revenues and other support	<u>5,289,816</u>	<u>(11,056)</u>	<u>5,278,760</u>
Expenses			
Compensation expense	3,494,150	-	3,494,150
Supplies, services, and other	1,302,444	-	1,302,444
Depreciation expense	289,657	-	289,657
Interest expense	115,391	-	115,391
Total expenses	<u>5,201,642</u>	<u>-</u>	<u>5,201,642</u>
Net operating results	<u>88,174</u>	<u>(11,056)</u>	<u>77,118</u>
Non-operating activities			
Investment returns, net	1,719,224	2,498,542	4,217,766
Permanently restricted gifts	-	278,313	278,313
Other non-operating	7,597	553	8,150
Non-operating, net	<u>1,726,821</u>	<u>2,777,408</u>	<u>4,504,229</u>
Change in net assets	1,814,995	2,766,352	4,581,347
Net Assets, Beginning of the Year	<u>8,632,956</u>	<u>9,203,959</u>	<u>17,836,915</u>
Net Assets, End of the Year	<u>\$ 10,447,951</u>	<u>\$ 11,970,311</u>	<u>\$ 22,418,262</u>

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

Washington University
Consolidated Statement of Activities
Year Ended June 30, 2025

<i>(thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Tuition and fees	\$ 449,136	\$ -	\$ 449,136
Endowment spending distribution	559,993	26,082	586,075
Investment income	83,188	738	83,926
Gifts	91,220	429,733	520,953
Grants and contracts revenues			
Direct costs recovered	735,370	-	735,370
Facilities and administrative costs recovered	275,255	-	275,255
Patient services, net	1,864,712	-	1,864,712
Auxiliary enterprises - sales and services	151,347	-	151,347
Educational activities - sales and services	180,372	-	180,372
Affiliated hospital revenues	394,943	-	394,943
Other revenue	42,674	3	42,677
Net assets released from restrictions	205,748	(205,748)	-
Total revenues and other support	5,033,958	250,808	5,284,766
Expenses			
Compensation expense	3,340,726	-	3,340,726
Supplies, services, and other	1,196,686	-	1,196,686
Depreciation expense	288,091	-	288,091
Interest expense	112,321	-	112,321
Total expenses	4,937,824	-	4,937,824
Net operating results	96,134	250,808	346,942
Non-operating activities			
Investment returns, net	542,199	732,188	1,274,387
Permanently restricted gifts	-	156,800	156,800
Other non-operating	(10,070)	13,560	3,490
Non-operating, net	532,129	902,548	1,434,677
Change in net assets	628,263	1,153,356	1,781,619
Net Assets, Beginning of the Year	8,004,693	8,050,603	16,055,296
Net Assets, End of the Year	\$ 8,632,956	\$ 9,203,959	\$ 17,836,915

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

Washington University

Consolidated Statements of Cash Flows

Years Ended June 30, 2026 and 2025

(thousands of dollars)

	2026	2025
Cash flows from operating activities		
Change in net assets	\$ 4,581,347	\$ 1,781,619
Adjustments to reconcile change in net assets to cash used in operating activities		
Realized and unrealized net gains on investments	(5,272,647)	(1,893,770)
Depreciation expense	289,657	288,091
Permanently restricted gifts	(278,313)	(156,800)
Investments received as gifts	(26,213)	(12,670)
Proceeds from sales of investments received as gifts	26,213	12,670
Amortization of right-of-use assets	21,052	20,163
Other non-cash adjustments	24,761	(4,852)
Changes in assets and liabilities		
Accounts and notes receivable, net	(392,364)	(97,440)
Pledges receivable, net	(165,436)	(243,220)
Accounts payable and accrued expenses	(45,784)	64,420
Accrued compensation and benefits	79,488	10,071
Deferred revenue and contract liabilities	4,363	(34,640)
Lease liabilities	(27,720)	(25,610)
Professional liability	24,058	4,543
Deposits, advances, and other	400,765	(1,457)
Other assets and liabilities	41,010	91,713
Net cash used by operating activities	(715,763)	(197,169)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	9,143,688	6,510,117
Purchases of investments	(8,592,085)	(5,969,404)
Purchases of fixed assets	(197,250)	(326,412)
Student loans disbursed	(16,930)	(15,932)
Student loan payments received	16,339	14,957
Other	82	(11)
Net cash provided by investing activities	353,844	213,315
Cash flows from financing activities		
Principal payments of debt	(141,557)	(2,627)
Proceeds from long-term debt issuance	181,121	22,175
Contributions restricted for long-term investment	232,073	82,281
Proceeds from contributions of permanently restricted gifts	46,240	74,519
Net cash provided by financing activities	317,877	176,348
Net (decrease)/increase in cash and cash equivalents	(44,042)	192,494
Cash and cash equivalents		
Beginning of year	422,968	230,474
End of year	\$ 378,926	\$ 422,968
Supplemental data		
Interest paid in cash	\$ 111,179	\$ 110,914
Noncash activities		
Contributions of securities and other noncash assets	(72,453)	(87,189)
Right-of-use assets obtained in exchange for lease liabilities	(1,465)	(16,281)
Net change in accounts payable for fixed assets	24,853	(20,054)
Net change in accounts receivable for investments	183,606	(16,732)
Net change in accounts payable for investments	15,039	(9,020)

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

Washington University

Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(All amounts in thousands of dollars)

1. Summary of Significant Accounting Policies

Organization

Washington University in St. Louis (the “university”) is an institution of higher education that, in furtherance of its role as a charitable and educational institution, engages in various activities, including instruction, research and provision of medical care.

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of the university and its affiliates. Significant consolidated affiliates include The Barnard Free Skin and Cancer Hospital, Quadrangle Management Company, Parallel Properties LLC including its affiliates, Washington University Clinical Associates, LLC and associated physician practices, and Washington University Physicians in Illinois, Inc.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the estimated useful lives of buildings and equipment, the fair value of certain investments (see footnote 2), the degree of precision in calculation of self-insurance reserves and adequacy of allowances for contractual adjustments and doubtful accounts. Actual results could differ from those estimates.

Certain reclassifications have been made to the 2025 financial statements to conform to the 2026 financial statement presentation. These reclassifications had no effect on changes in net assets.

Net Assets

Resources are recorded based on the absence or existence of donor-imposed restrictions. Descriptions of the net asset categories are as follows:

- Net assets without donor restrictions are free of donor-imposed restrictions. Board-designated endowment funds are also included within net assets without donor restrictions.
- Net assets with donor restrictions represent net assets that consist of gifts and related earnings that are subject to donor-imposed restrictions or legal stipulations that have not yet been met by actions of the university and/or passage of time as well as gifts and trusts which, by donor restriction, are required to be held in perpetuity. Net assets required to be held in perpetuity at June 30, 2026 and 2025, are \$3,177,695 and \$2,888,889, respectively.

Revenues from sources other than contributions and investment returns are reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate category of net assets, except that contributions which impose donor restrictions that are met in the same fiscal year they are received are included in revenues without donor restrictions. Donor restricted contributions that are to be held in perpetuity are reported in the non-operating section of the consolidated statements of activities. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the

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gains and income are recognized, except for gains and investment income earned by investment of donor-restricted endowments. Such amounts, reported in the non-operating section of the consolidated statement of activities, remain in net assets with donor restrictions until appropriated for expenditure. When a donor restriction expires due to the passage of time or the university's fulfillment of donor stipulated purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations about the length of time long-lived assets must be maintained or stipulations that limit their use for a particular purpose, the university reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are reported as decreases in net assets without donor restrictions.

The university's net assets as of June 30, 2026 consist of the following:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 10,205,510	\$ 10,205,510
Board-designated endowment funds	6,247,992	849,472	7,097,464
Investment in plant, net	684,923	-	684,923
Pledges	-	810,811	810,811
Other donor-restricted	-	104,518	104,518
Operating and other reserves	3,515,036	-	3,515,036
	<u>\$ 10,447,951</u>	<u>\$ 11,970,311</u>	<u>\$ 22,418,262</u>

The university's net assets as of June 30, 2025 consist of the following:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 7,814,268	\$ 7,814,268
Board-designated endowment funds	4,888,648	643,501	5,532,149
Investment in plant, net	824,047	-	824,047
Pledges	-	647,429	647,429
Other donor-restricted	-	98,761	98,761
Operating and other reserves	2,920,261	-	2,920,261
	<u>\$ 8,632,956</u>	<u>\$ 9,203,959</u>	<u>\$ 17,836,915</u>

Cash and Cash Equivalents

The university considers cash on hand and in banks and all highly liquid financial instruments with an original maturity of 90 days or less, except those amounts assigned to and invested by its investment managers, which amounts are classified as short-term investments, to be cash and cash equivalents.

Investments

Investment gains (losses) in excess of endowment spending distribution and the unrealized appreciation (depreciation) on investments are reported in the non-operating section of the

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consolidated statements of activities. Investments acquired by gift or bequest are initially recorded at fair value at the date so acquired.

At June 30, 2026 and 2025, investments include \$273,744 and \$294,495, respectively, purchased with unexpended proceeds from the Series 2022 taxable bonds issued April 7, 2022. The 2022 bond funds may be utilized for the purposes set forth in the relevant bond documents.

Financing Receivables

Financing receivables are principally loans made to students or their parents utilizing gifts, endowment payout, and university resources designated for that purpose and from funds provided by the United States government under the Federal Perkins Student Loan program. Loan funds are reported at estimated realizable value, which approximates fair value. Federal funds are ultimately refundable to the government and are recognized as a liability in the consolidated statements of financial position.

The university's loan portfolio includes over 2,900 individual loans and is geographically diverse. Loans are considered past due if the minimum payment is not received within ten days past the due date. At June 30, 2026 and 2025, respectively 93% and 93% of the parent loans and 80% and 76% of the institutional student loans were considered current. Income earned on financing receivables is recorded on an accrual basis.

Other Assets

Other assets primarily consist of prepaid expenses, deposits, inventories, and deferred compensation. The university offers deferred compensation plans for eligible faculty and staff. The plans investments are recorded at fair value in other assets with an offsetting liability recorded within accrued compensation and benefits in the consolidated statement of financial position.

Leases

The university determines if an arrangement is or contains a lease at inception based on whether the contract conveys the right to control the use of identified property, plant, or equipment in exchange for consideration. The university has both leases under which it is obligated as a lessee and leases for which it is the lessor. Operating leases in which the university is a lessee are included in right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. The university has elected the short-term lease exception under ASC 842 for all leases, and therefore, leases with an initial term of 12 months or less are not included on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The interest rate implicit in lease contracts is typically not readily determinable, and as such, the university uses its collateralized borrowing rate using a period comparable with the lease term in determining the present value of lease payments. The lease term may, at the university's discretion, include options to extend or to terminate the lease that the university is reasonably certain to exercise. Lease expense for lease payments is recognized on a straight-line basis over the lease term within the supplies, services and other line of the consolidated statement of activities. Variable lease payments based on an index or rate, such as the consumer price index, are initially measured using the index or rate in effect at lease commencement. The university has lease agreements with non-lease components that relate to the lease components. The university elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component

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(All amounts in thousands of dollars)

for all leases. Leasing arrangements for which the university is the lessor are not material to the consolidated financial statements.

Fixed Assets

Fixed assets are stated at cost or at fair market values if received as a gift, less accumulated depreciation. Depreciation is calculated using the straight-line method with estimated useful lives of 10-to-50 years for buildings and building improvements, and 3-to-20 years for equipment, depending upon asset class. The cost and accumulated depreciation of fixed assets are removed from the records at the time of disposal. Fixed assets by classification at June 30, 2026 and 2025 consist of the following:

	2026	2025
Construction in progress	\$ 243,721	\$ 309,217
Land and improvements to land	253,627	246,539
Buildings	6,238,236	6,098,112
Equipment	1,023,267	942,874
Total cost	7,758,851	7,596,742
Accumulated depreciation	(4,021,292)	(3,780,853)
Total fixed assets, net	<u>\$ 3,737,559</u>	<u>\$ 3,815,889</u>

Collections

In addition to the Mildred Lane Kemper Art Museum, the university archives rare book collections, works of art, literary works, historical treasures and artifacts. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service. Proceeds from the sale of deaccessioned items are used to acquire new collections. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred Revenue and Contract Liabilities

Deferred revenue is recognized on an accrual basis when payments for services are received in advance of performance by the university. The principal components of deferred revenue are grants and contracts and prepaid tuition and housing.

Split-Interest Agreements

The university's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the university serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The discount rate used is the standard IRS discount rate in existence at the date of the gift. The rates used range from 4.6% to 4.8% for 2026 and 4.6% to 5.6% for fiscal year 2025. Annually, the university records the change in value of split-interest agreements by recording at fair value the assets that are associated with each trust and recalculating the liability for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

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Notes to Consolidated Financial Statements

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(All amounts in thousands of dollars)

Tuition and Fees

Tuition and fee revenue, net of scholarships and other implicit price concessions, is recognized over time using the output method of measuring progress in the fiscal year in which the educational programs are conducted. Students are invoiced at the commencement of each academic period. Payment is due when invoiced. The performance obligation, delivery of educational services, is satisfied as services are rendered. If delivery of the performance obligation is not complete as of fiscal year-end, a contractual liability is recorded. The deferred contract liability at June 30, 2026 and 2025 was \$32,241 and \$31,261, respectively, and is reported as deferred revenue and contract liabilities on the consolidated statement of financial position.

Demonstrated financial need is the major criteria for undergraduate students to receive financial aid. Graduate students often receive tuition support in connection with research assistant, teaching assistant and fellowship appointments. Total financial aid granted to students by the university, including aid provided to employees and their dependents, for the years ended June 30, 2026 and 2025, respectively, was \$587,424 and \$563,834.

The table below identifies student aid by type. Scholarships are reported net against tuition in the consolidated statements of activities. Other amounts are reported as expenses.

	2026	2025
Scholarships from unrestricted sources	\$ 292,296	\$ 267,125
Scholarship support from gifts, endowment and other restricted sources	<u>154,188</u>	<u>165,495</u>
Total scholarships	446,484	432,620
Employee and dependent tuition benefits	59,579	51,785
Stipends	79,318	77,523
Work study	<u>2,043</u>	<u>1,906</u>
Total	<u>\$ 587,424</u>	<u>\$ 563,834</u>

Gifts

Gifts, including unconditional promises to give, are recognized as revenues in the period the gift or promise is received. Gifts received for permanent endowments or perpetual trusts are reported as non-operating revenues. Gifts of assets other than cash are recorded at their estimated fair value at the date of gift and, unless instructed otherwise by the donor, are liquidated upon receipt or as soon as practical thereafter.

Conditional gifts and promises to give are not recognized until the conditions on which they depend are substantially met. Gifts, in the form of unconditional promises to give, to be received after one year are discounted at credit-adjusted tax-exempt borrowing rates in accordance with fair value accounting. Pledges outstanding are discounted with rates ranging from 0.56% to 3.40%. Amortization of the discount is recorded as gift revenue. The university has received gifts which are recorded as gift revenue in the period the gift was made but are payable over a specified payment schedule of up to 10 years or more. During the gift payment term, the university is exposed to credit risk for the entity or individual that has made the gift. An allowance is made for uncollectible unconditional promises to give based upon management's judgment, past collections

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experience and other relevant factors. During 2025, as part of the new 2024 Affiliation Agreement with BJC Health System (BJC) further described in footnote 13, the university received a pledge of \$335,000 to be received over a period of seven years in support of the university's academic mission.

A summary of pledges receivable is as follows:

	2026	2025
Less than one year	\$ 275,107	\$ 221,121
Between one and five years	413,358	347,023
More than five years	191,920	120,300
	<u>880,385</u>	<u>688,444</u>
Less:		
Discount	(62,254)	(35,749)
Allowance for uncollectible amounts	<u>(7,320)</u>	<u>(5,266)</u>
Total	<u>\$ 810,811</u>	<u>\$ 647,429</u>

Grants and Contracts

The university receives grant and contract revenue from governmental and private sources. The vast majority of such agreements are awarded to the university by government agencies and are considered conditional contributions. The principal condition attached to these awards is that the university must incur costs in accordance with the Office of Management and Budget's uniform guidance before costs can be reimbursed. The university generally recognizes revenue without donor restrictions as the related costs are incurred. These revenues include recoveries of indirect costs, also referred to as facilities and administrative costs, which are based on negotiated rates and represents recoveries of facilities and administrative costs incurred under grants and contracts agreements. Recovery of facilities and administrative costs of federally sponsored programs is at rates negotiated with the Department of Health and Human Services. In some cases, the sponsor will prepay amounts in anticipation of costs to be incurred. In those cases, amounts received in excess of costs incurred are recorded as deferred revenue.

The university's current population of federal grants and contracts have an average award range of 3 – 5 years. There is no assurance that government-sponsored research awards will continue to be made at current levels as awards are subject to the availability of and annual appropriation of funds. The university estimates that the total amounts promised under these agreements for which conditions have not yet been fulfilled as of June 30, 2026 and 2025, approximate current annual grants and contracts revenue.

Patient Services Revenue

Net patient services revenue is reported at the amount that reflects the consideration to which the university expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others. Generally, the university bills the patient and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied. For the years ended June 30, 2026 and 2025, patient service revenue by primary payor source was

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comprised of Medicare (39.5% and 38.9%), Managed Care (37.8% and 39.0%), Medicaid (15.1% and 14.9%), and other sources (7.6% and 7.2%), respectively.

Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges which provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Net amounts receivable under physician service contracts with affiliated and unaffiliated hospitals are \$167,162 and \$165,744 at June 30, 2026 and 2025, respectively.

Because the majority of its performance obligations relate to contracts with a duration of less than one year, the university has elected to apply the practical expedient provided in FASB ASC 606-10-50-14a, and therefore is not required to disclose the aggregate amounts of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The university also provides services to uninsured patients. The transaction price for both uninsured patients, as well as insured patients with deductibles and coinsurance, is estimated based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. The university determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The university determines its estimate of implicit price concessions based on historical collection experience with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is being used as there is a large volume of similar contracts with similar classes of customers. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. The effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Contractual adjustments to patient service revenue were \$2,661,000 and \$2,417,000 for the years ended June 30, 2026 and 2025, respectively.

The university has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. In certain instances, the university may enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. The university reported patient receivables net of contractual adjustments of \$166,516 and \$152,486, at June 30, 2026 and 2025, respectively.

Auxiliary Enterprises – Sales and Services

Auxiliary enterprises sales and services revenue is primarily earned over time utilizing the output method of measuring progress. Auxiliary enterprise sales and services revenue is composed primarily of on and off campus housing charges, dining services, and parking and transportation fees with separate contracts for each type of service. Revenue is generally earned over the course of the academic year as services are rendered. Given the timing of each year's academic sessions, substantially all performance obligations of the university are satisfied within the fiscal year. A contract liability is recorded for amounts billed or received in advance for performance obligations not satisfied prior to fiscal year end.

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Educational Activities – Sales and Services

Clinical trial revenue is earned over time as the university provides services. The transaction price is negotiated with the customer and is usually based on standard rates for clinical services and the expected cost to complete the contract. Payment terms under these contracts vary but generally provide for the right to invoice the customer as work progresses, either based on units performed or the achievement of billing milestones. The university has determined that an input method using costs incurred as a basis to estimate revenue earned best depicts the pattern of transfer of control to the customer. In those limited cases where prepayments are significant, revenue is deferred until earned and a contract liability is recorded. Such amounts are reported as deferred revenue and contract liabilities on the consolidated statement of financial position.

Contracts in other educational sales and services cover a broad range of activities including laboratory services, executive education program fees and royalties. Revenue from the contracts in this category is earned over time as services are rendered. The measure of progress varies according to the nature of the services provided. Invoicing to customers is performed in the cadence required under the contracts and amounts invoiced generally are considered due upon receipt. Accruals for services provided but not yet invoiced are recorded at year end. Fees for executive education programs are often received in advance of the program and represent a contract liability. Such amounts are reported as deferred revenue and contract liabilities in the consolidated statement of financial position.

Affiliated Hospital Revenues

Affiliated hospital revenue is recognized over time during the fiscal year earned as more fully described in footnote 13. The measure of progress towards completion of those obligations is based on the day-to-day operations of the university's School of Medicine and the affiliated hospitals. Payments are received at various times throughout the year as stated within the applicable agreement.

Operating Results

The university's measure of operations as presented in the consolidated statements of activities includes income from tuition and fees, grants and contracts, medical services, contributions for operating programs, the endowment spending distribution and other revenues. Operating expenses are reported on the consolidated statements of activities as incurred for employee compensation, depreciation, interest, and supplies, services and other. Operating results exclude investment gains (losses) except for the portion of gains utilized for the endowment spending distribution, contributions to be held in perpetuity, and other non-operating amounts.

Income and Other Taxes

The university is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent the university has unrelated business income, or consolidated for-profit affiliates incur taxes, which is taxed at corporate income tax rates. The university is also subject to excise tax on net investment income and executive compensation. The university files tax returns with the U.S. federal and state governments. With few exceptions, as of June 30, 2026, the university is no longer subject to U.S. federal or state examinations by taxing authorities for tax years beginning before July 1, 2022. Federal and state taxes paid as of June 30, 2026 and 2025 were not material to the consolidated financial statements.

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For the years ended June 30, 2026 and 2025, current federal excise tax obligations of \$16,000 and \$15,000, respectively, were accrued at the statutory rate of 1.4%. In July 2025, Public Law 119-21 (H.R.1), informally known as the One Big Beautiful Bill Act (OBBBA), was enacted, modifying statutory excise tax rates. Following these rate modifications, the university remeasured its deferred tax liability which is \$400,000 as of June 30, 2026, at the newly enacted 4.0% statutory rate applicable to the university. The deferred tax liability represents future excise tax payable on unrealized gains in excess of the tax bases of these assets. The university's deferred tax liability is included within deposits, advances, and other liabilities on the consolidated statement of financial position and within investment returns, net on the consolidated statement of activities. Tax expense for the year ended June 30, 2026 and 2025 was \$404,000 and \$15,000, respectively.

Management believes the university has no significant uncertain tax positions that require disclosure or adjustment to the consolidated financial statements.

Related Parties

The university has a number of related party entities, many of which are included in the consolidated financial statements as disclosed in footnote 1. The university is also party to affiliation agreements with hospitals for which significant related party transactions are described in footnote 6 and 13.

Members of the university's Board of Trustees, officers, and employees may periodically be directly or indirectly associated with organizations doing business with the university. Transactions between the university and members of its Board of Trustees, officers, employees, and their related entities may include loans reported in accounts and notes receivable as well as contributions reported in gift revenue and pledges receivable. During 2026, the university received a \$200,000 pledge from the Family Foundation of a Trustee in support of the university's academic mission, all of which remains outstanding in pledges receivable at June 30, 2026.

Recent Accounting Pronouncements

ASU 2023-08, *Accounting for and Disclosure of Crypto Assets*, was issued by the FASB during December 2023 and was adopted by the university during fiscal year 2026. ASU 2023-08 requires in-scope crypto assets to be measured at fair value with subsequent gains and losses recognized as change in net assets. The university reports crypto assets as investments at fair value with changes in value reflected in non-operating investment returns. There was no significant impact to the university's financial statements or footnote disclosures upon adoption.

ASU 2023-09, *Improvements to Income Tax Disclosures*, was issued by the FASB during December 2023 and was early adopted by the university during fiscal year 2026. The standard enhances transparency and decision usefulness of income tax disclosures to better assess risks, operational opportunities, and future cash flows. See Income and Other Taxes within footnote 1.

Risks and Uncertainties

Current economic, political, and regulatory conditions have created various risks and uncertainties for institutions of higher education. The impact may materially affect the university's financial condition, operations, and ability to deliver on its mission.

The University continually monitors these risks and uncertainties and engages in proactive financial planning and risk management strategies to mitigate potential adverse impacts.

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2. Fair Value

The university follows FASB guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the university and unobservable inputs reflect the university's assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the university for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities, such as exchange traded equity securities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Examples of Level 2 include U.S. Treasury securities and corporate bonds.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2026, on the consolidated statements of financial position by caption and by the valuation hierarchy defined above. Amounts measured at net asset value are reported using the practical expedient under ASC topic 820 and excluded from the fair value hierarchy. Included as Level 2 fixed income are U.S. Treasury securities of approximately \$1,146,638. Two individual investments represent a significant concentration within the university's investment portfolio.

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	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Balance June 30, 2026
Investments					
Public equity					
Domestic	\$ 126,911	\$ -	\$ -	\$ 958,917	\$ 1,085,828
International	430,323	-	-	1,530,549	1,960,872
Fixed income - Nominal	-	1,839,755	-	-	1,839,755
Absolute return	-	-	50	552,926	552,976
Private capital	-	-	410,125	13,034,863	13,444,988
Short-term investments	320,060	20,820	-	-	340,880
Real assets	106,649	-	82,342	1,123,966	1,312,957
Other investments	327,158	(6,842)	68,420	103	388,839
Total investments at fair value	1,311,101	1,853,733	560,937	17,201,324	\$ 20,927,095
Investments not reported at fair value					
Affiliates - Equity basis	-	-	-	-	57,828
Accrued investment income	-	-	-	-	12,427
Total investments	\$ 1,311,101	\$ 1,853,733	\$ 560,937	\$ 17,201,324	\$ 20,997,350

The following table presents the financial instruments carried at fair value as of June 30, 2025, on the consolidated statements of financial position by caption and by the valuation hierarchy defined above. Amounts measured at net asset value are reported using the practical expedient under ASC topic 820 and excluded from the fair value hierarchy. Included as Level 2 fixed income are U.S. Treasury securities of approximately \$973,319.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Balance June 30, 2025
Investments					
Public equity					
Domestic	\$ 11,843	\$ -	\$ -	\$ 1,201,182	\$ 1,213,025
International	287,965	-	-	1,869,576	2,157,541
Fixed income - Nominal	-	1,415,317	-	-	1,415,317
Absolute return	-	-	383	610,347	610,730
Private capital	-	-	271,322	8,321,454	8,592,776
Short-term investments	356,306	15,330	-	-	371,636
Real assets	195,698	-	78,766	958,059	1,232,523
Other investments	345,415	16,085	64,991	110	426,601
Total investments at fair value	1,197,227	1,446,732	415,462	12,960,728	\$ 16,020,149
Investments not reported at fair value					
Affiliates - Equity basis	-	-	-	-	41,666
Accrued investment income	-	-	-	-	9,715
Total investments	\$ 1,197,227	\$ 1,446,732	\$ 415,462	\$ 12,960,728	\$ 16,071,530

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Beneficial interests in perpetual trusts held by third parties are included in other investments and are valued at the present value of the future distributions expected to be received over the term of the agreement.

The following is a description of the university's valuation methodologies for assets and liabilities measured at fair value. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the university believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Fair value for Level 1 is based upon quoted prices in active markets that the university has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The university does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Trustees determine the valuation for beneficial interest trusts and split-interest agreements.

Investments measured at net asset value primarily consist of the university's ownership in alternative investments (principally limited partnership interests in absolute return, private capital investments, real assets, and other similar funds). The fair values (Net Asset Value ("NAV") or partner's capital per share) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the respective general partners and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the general partners taking into consideration significant unobservable inputs including, among other things, the cost of the investments, prices of recent significant placements of investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. Excluding the cost of the investment, significant increases or decreases in the remainder of those inputs could result in a significantly higher or lower fair value measurement. The university has performed due diligence with respect to these investments to ensure NAV or partner's capital per share is an appropriate measure of fair value as of June 30. NAVs are calculated by the investees in a manner consistent with generally accepted accounting principles for investment companies.

Significant terms of agreements with external investment managers or funds by major classes of investments are provided in the following tables.

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The following table summarizes the significant terms of the agreements with external investment managers or funds by major category at June 30, 2026:

Investments	Fair Value June 30, 2026	Unfunded Commitment (1)	Remaining Life (2)	Redemption Terms	Redemption Restrictions
Public equities	\$ 3,046,700		No Limit	Daily to annually, with same day-180 day notice	Lock-up provision periods range from none to 4 years. Certain investments include side pockets subject to external manager discretion.
Fixed income and short-term investments	2,180,635		No Limit	Daily, 1-2 days notice	No lock-up provision
Absolute return	552,976		No Limit	Quarterly to semi-annually with 45 – 180 days notice	Lock-up provision periods range from none to 3 years. Certain investments include side pockets subject to external manager's discretion.
Private capital	13,444,988	1,481,320	0 - 23 Years	Not eligible for redemption	Not redeemable
Real assets	1,312,957	255,986	0 - 10 Years	Not eligible for redemption	Not redeemable
Total	<u>\$ 20,538,256</u>	<u>\$ 1,737,306</u>			

Footnote (1): The university is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. Such commitments are expected to be called over the life of the agreement and are not expected to be fully funded in the subsequent year.

Footnote (2): For private equities and real assets, assuming all extension options under the agreements are exercised and approved except for funds with no fund life end date or unlimited extension.

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The following table summarizes the significant terms of the agreements with external investment managers or funds by major category at June 30, 2025:

Investments	Fair Value June 30, 2025	Unfunded Commitment (1)	Remaining Life (2)	Redemption Terms	Redemption Restrictions
Public equities	\$ 3,370,566	\$ 33,750	No Limit	Daily to annually, with same day-180 day notice	Lock-up provision periods range from none to 4 years. Certain investments include side pockets subject to external manager discretion.
Fixed income and short-term investments	1,786,953	-	No Limit	Daily, 1-2 days notice	No lock-up provision
Absolute return	610,730	-	No Limit	Quarterly to semi-annually with 45 – 180 days notice	Lock-up provision periods range from none to 3 years. Certain investments include side pockets subject to external manager's discretion.
Private capital	8,592,776	1,477,444	0 - 25 Years	Not eligible for redemption	Not redeemable
Real assets	1,232,523	315,620	0 - 10 Years	Not eligible for redemption	Not redeemable
Total	<u>\$ 15,593,548</u>	<u>\$ 1,826,814</u>			

Footnote (1): Includes \$15 million nonbinding unfunded commitments. The university is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. Such commitments are expected to be called over the life of the agreement and are not expected to be fully funded in the subsequent year.

Footnote (2): For private equities and real assets, assuming all extension options under the agreements are exercised and approved except for funds with no fund life end date or unlimited extension.

Public Equities

Public equities include investments in publicly-traded securities in domestic, developed international, emerging, and frontier markets. The majority of assets are held in pooled commingled funds which are valued at NAV as described above. Investments held in custody accounts are valued at quoted market price in accordance with Level 1 and Level 2 valuation techniques as described above.

Fixed Income and Short-Term Investments

Investments in this class include domestic and international nominal fixed income instruments. Fixed income investments are held principally as liquid vehicles for operating needs and as a source of diversification. A significant component of non-endowment fixed income investments is held in highly liquid funds. The valuation of these funds is determined using a market approach in accordance with the techniques for Level 2 as described above.

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Absolute Return

Investments in absolute return are typically held in commingled funds that employ various uncorrelated investment strategies including but not limited to equity hedged and event driven. These funds are valued at net asset value as described above.

Private Capital

Investments in private capital strategies are made in targeted categories including growth equity, venture capital, distressed credit, and corporate finance. The majority of these assets are in non-redeemable drawdown fund structures and distributions are received as underlying investments are liquidated. These funds are primarily valued at net asset value as described above.

Real Assets

Investments in the real assets class are made in targeted categories. The majority of these assets are held in non-redeemable drawdown fund structures that invest primarily in real estate and natural resources. These funds are primarily valued at net asset value as described above.

Level Three Investments

The following tables roll forward the consolidated statement of financial position amounts for financial instruments classified by the university within Level 3 of the fair value hierarchy defined above for the years ended June 30, 2026 and 2025.

	Balance June 30, 2025	Net Realized and Unrealized Gains (Losses)	Purchases, Sales and Settlements Net	Transfers in/(out) of Level 3, net	Balance June 30, 2026
Investments (by strategy)					
Private capital	\$ 271,322	\$ 90,362	\$ 48,441	\$ -	\$ 410,125
Real assets	78,766	4,590	(1,014)	-	82,342
Absolute return	383	(65)	(268)	-	50
Public equity	-	-	-	-	-
Other investments	64,991	4,505	252	(1,328)	68,420
Total	\$ 415,462	\$ 99,392	\$ 47,411	\$ (1,328)	\$ 560,937

	Balance June 30, 2024	Net Realized and Unrealized Gains (Losses)	Purchases, Sales and Settlements Net	Transfers in/(out) of Level 3, net	Balance June 30, 2025
Investments (by strategy)					
Private capital	\$ 250,416	\$ 18,296	\$ 5,195	\$ (2,585)	\$ 271,322
Real assets	78,746	(4,084)	4,104	-	78,766
Absolute return	499	(116)	-	-	383
Public equity	-	-	-	-	-
Other investments	63,107	2,855	379	(1,350)	64,991
Total	\$ 392,768	\$ 16,951	\$ 9,678	\$ (3,935)	\$ 415,462

The amount of realized and unrealized gains (losses) for Level 3 investments for the period included in net assets attributable to the change in unrealized gains or losses relating to assets still

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held at June 30, 2026 and 2025, respectively, reported as investment returns, net in the consolidated statements of activities by type of investment is:

	2026	2025
Private capital	\$ 71,097	\$ 4,342
Real assets	3,441	(1,376)
Absolute return	(734)	(743)
Public equity	-	-
Other investments	2,816	1,953
Total	<u>\$ 76,620</u>	<u>\$ 4,176</u>

3. Investment Return

The following summarizes the return on investments. Investment income represents earnings on non-endowed funds. Return on investments is presented net of fees paid to external investment managers, expenses related to internal investment management operations, and the provisions for excise taxes. Certain investments, including some but not all of those in the absolute return and private capital categories, report investment returns net of fees.

	2026	2025
Operating:		
Endowment spending distribution	\$ 593,294	\$ 586,075
Investment income	84,738	83,926
Non-operating:		
Return on investments, net	4,811,060	1,860,462
Endowment spending distribution	(593,294)	(586,075)
Non-operating investment returns, net	<u>4,217,766</u>	<u>1,274,387</u>
Total investment return, net	<u>\$ 4,895,798</u>	<u>\$ 1,944,388</u>

4. Endowment

The state of Missouri has adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The statutory guidelines contained in this legislation relate to the prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations. Additionally, the legislation specifies factors for fiduciaries to consider prior to making a decision to appropriate from or accumulate into an institution's endowment funds.

At June 30, 2026, the university's endowment consists of 4,536 individual donor-restricted endowment funds and Board of Trustees or management-designated endowment funds for a variety of purposes plus split-interest agreements and other net assets where the assets have been designated for endowment. The net assets associated with endowment funds, including funds designated by the Board of Trustees or management to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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The university has interpreted Missouri UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the university classifies as net assets with donor restrictions, (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds that are not restricted in perpetuity are considered restricted until the donor-imposed stipulations attached to those amounts have been met by actions of the university and/or passage of time and appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition, which includes the effect of changes in endowment investments as well as other endowment-related assets and liabilities, by type of fund as of June 30, 2026:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 10,205,510	\$ 10,205,510
Board-designated endowment funds	6,247,992	849,472	7,097,464
Total endowment funds	<u>\$ 6,247,992</u>	<u>\$ 11,054,982</u>	<u>\$ 17,302,974</u>

Changes in endowment net assets for the year ended June 30, 2026:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	<u>\$ 4,888,648</u>	<u>\$ 8,457,769</u>	<u>\$ 13,346,417</u>
Investment return			
Net investment income	(184,628)	(276,197)	(460,825)
Net increase in investments (realized and unrealized)	2,100,775	3,159,971	5,260,746
Total investment return	1,916,147	2,883,774	4,799,921
Gifts	139	97,540	97,679
Appropriation of endowment assets for expenditure	(237,310)	(355,984)	(593,294)
Net transfers of funds	10,287	(3,635)	6,652
Allocation of endowment return to treasurer's investment pool	(336,752)	(29,227)	(365,979)
Other activity	6,833	4,745	11,578
Endowment net assets, end of year	<u>\$ 6,247,992</u>	<u>\$ 11,054,982</u>	<u>\$ 17,302,974</u>

Of the amount classified as endowment net assets with donor restrictions, \$7,346,880 represents the portion of endowment funds subject to time restrictions under Missouri's enacted version of UPMIFA.

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Endowment net asset composition by type of fund as of June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 7,814,268	\$ 7,814,268
Board-designated endowment funds	4,888,648	643,501	5,532,149
Total endowment funds	\$ 4,888,648	\$ 8,457,769	\$ 13,346,417

Changes in endowment net assets for the year ended June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 4,439,294	\$ 7,566,732	\$ 12,006,026
Investment return			
Net investment income	(13,255)	(19,358)	(32,613)
Net increase in investments (realized and unrealized)	746,675	1,134,540	1,881,215
Total investment return	733,420	1,115,182	1,848,602
Gifts	74	153,246	153,320
Appropriation of endowment assets for expenditure	(233,239)	(352,836)	(586,075)
Net transfers of funds	35,314	(2,886)	32,428
Allocation of endowment return to treasurer's investment pool	(92,752)	(29,325)	(122,077)
Other activity	6,537	7,656	14,193
Endowment net assets, end of year	\$ 4,888,648	\$ 8,457,769	\$ 13,346,417

Of the amount classified as endowment net assets with donor restrictions, \$5,044,966 represents the portion of endowment funds subject to time restrictions under Missouri's enacted version of UPMIFA.

Endowment by Purpose

The purpose of endowment funds as of June 30, 2026:

	Without Donor Restriction	With Donor Restriction	Total
Restricted for general activities	\$ 4,023,629	\$ 7,284,753	\$ 11,308,382
Restricted for student assistance	1,752,671	2,468,012	4,220,683
Restricted for buildings and renovations	471,692	1,265,610	1,737,302
Life income	-	36,607	36,607
Total endowment net assets	\$ 6,247,992	\$ 11,054,982	\$ 17,302,974

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The purpose of endowment funds as of June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Restricted for general activities	\$ 3,163,495	\$ 5,568,858	\$ 8,732,353
Restricted for student assistance	1,352,267	1,873,114	3,225,381
Restricted for buildings and renovations	372,886	980,535	1,353,421
Life income	-	35,262	35,262
Total endowment net assets	<u>\$ 4,888,648</u>	<u>\$ 8,457,769</u>	<u>\$ 13,346,417</u>

Endowment Funds with Deficits

As determined under UPMIFA, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (i.e., deficit). When donor endowment deficits exist, they remain classified as net assets with donor restrictions. Deficits of this nature were immaterial as of June 30, 2026 and 2025. The deficits resulted largely from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The university has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to meet or exceed the return of its policy benchmark, based on the endowment's target allocation applied to the appropriate individual benchmarks. The university expects its endowment funds, over time, to provide an average rate of return that will exceed the sum of inflation and the spending rate. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The university targets a diversified global asset allocation that places greater emphasis on equity-based and alternative investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The university has an endowment spending distribution policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. Under this policy, earnings of the pooled endowment are distributed at a rate set annually to the schools and other units of the university. Consideration is given to the provisions of UPMIFA in determining the amount to appropriate. This spending rate must fall within the range of 3.0% to 5.5% of the five-year average market value of a unit of the pooled endowment. For 2026 and 2025, the spending rate from the pooled endowment was 4.5% and 4.8% of the beginning market value of the pooled endowment, respectively. The spending rate is funded from current earnings and, in years when current earnings are insufficient, from previously accumulated earnings of the endowment.

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The university's endowment assets at June 30 are as follows:

	2026	2025
Pooled endowment and other funds	\$ 18,811,967	\$ 14,353,295
Life income trusts and pools	72,338	70,856
Externally administered trusts	39,856	37,035
Separately invested endowment	13,072	12,117
Total	18,937,233	14,473,303
Less: Operating funds invested in pool	(1,405,711)	(1,088,442)
Net endowment assets	<u>\$ 17,531,522</u>	<u>\$ 13,384,861</u>

The amounts above include term endowments of \$201,971 and \$152,952 as of June 30, 2026 and 2025, respectively.

5. Liquidity and Availability of Resources

At June 30, 2026 and 2025, the university's financial assets available for general expenditures within one year of the balance sheet date are as follows:

	2026	2025
Total assets at year end	\$ 27,494,242	\$ 22,330,732
Less:		
Accounts and notes receivable due in more than one year	(96,626)	(100,234)
Pledges receivable unavailable for general expenditure	(613,150)	(467,385)
Donor-restricted endowment funds	(10,472,192)	(7,986,034)
Board-designated endowment funds	(7,059,330)	(5,398,827)
Other long-term investments	(1,989,542)	(1,636,388)
Right-of-use assets	(59,982)	(80,312)
Other assets	(393,927)	(382,524)
Fixed assets	(3,737,559)	(3,815,889)
Total financial assets available within one year	<u>\$ 3,071,934</u>	<u>\$ 2,463,139</u>

The university's endowment funds consist of donor-restricted and board-designated endowment funds. As described in Note 4, the university has an endowment spending distribution policy with a spending rate range of 3.0% to 5.5% of the five-year average market value of a unit of the pooled endowment. For fiscal year 2027, the Board of Trustees approved a spending rate which will generate an endowment payout equaling or exceeding that of fiscal year 2026, including an allocation to the treasurer's investment pool, which will be available for operations during fiscal year 2027.

In addition to these available financial assets, the university's annual expenditures will be primarily funded by current year operating revenues including tuition, patient services income, and sponsored research income. As part of the university's liquidity management, a policy is in place to structure its financial assets to be available as general expenditures, liabilities, and other

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obligations come due. The university also invests cash in excess of daily requirements in short-term investments. Furthermore, although the university does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment that are free from investment restrictions could be made available if necessary. Other long-term investments are primarily composed of amounts designated by the university as reserves. Such investments are without donor restriction and could be drawn upon in the event of extreme stress. In the event of an unanticipated liquidity need, the university could also draw upon \$530,000 of available lines of credit and \$500,000 of available commercial paper at June 30, 2026.

6. Accounts and Notes Receivable

Accounts and notes receivable at June 30 were as follows:

	2026	2025
Patient services	\$ 570,824	\$ 515,188
Student and parent loans	68,845	68,982
Due from affiliate hospitals	361,275	366,861
Sponsored project receivables	150,662	161,247
Other	<u>375,645</u>	<u>169,546</u>
	1,527,251	1,281,824
Less: Allowance for contractual adjustments and doubtful accounts	<u>(411,564)</u>	<u>(371,744)</u>
Total	<u>\$ 1,115,687</u>	<u>\$ 910,080</u>

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7. Notes and Bonds Payable

Outstanding principal on bonds and notes payable at June 30, 2026 and 2025 consists of the following:

	Rates at June 30, 2026	Maturity	2026	2025
Missouri Health and Educational Facilities Authority				
\$88,000 of 2000B and C Series Variable Rate Bonds, due in full	2.90% - 3.85%	March 1, 2040	\$ 88,000	\$ 88,000
\$25,135 of 2003B Series Variable Rate Bonds, due in full	3.20% - 3.60%	February 15, 2033	25,135	25,135
\$77,495 of 2011C Series Revenue Bonds, due serially from November 15, 2012 to November 15, 2037	4.45% - 5.06%	November 15, 2037	37,105	39,540
\$200,785 of 2012A Series Revenue Bonds, due serially from February 15, 2023 to February 15, 2047	3.34% - 3.69%	February 15, 2047	180,785	180,785
\$150,000 of 2014A Series Revenue Bonds, due in full	4.07%	October 15, 2044	150,000	150,000
\$402,920 of 2016A Series Revenue Bonds, due in full January 15, 2036 (\$109,300) and January 15, 2046 (\$293,620)	3.47% - 3.65%	January 15, 2036 and 2046	402,920	402,920
\$272,750 of 2016 B Series Revenue Bonds, due in full	3.09%	September 15, 2051	272,750	272,750
\$375,000 of 2017 A Series Revenue Bonds, due in full	3.65%	August 15, 2057	375,000	375,000
\$450,000 of 2020 A Series Revenue Bonds, due in full	3.23%	May 15, 2050	450,000	450,000
Other Bonds:				
\$131,435 of 2015A Series Taxable Bonds, due in full	3.79%	October 15, 2055	131,435	131,435
\$1,000,000 of 2022 Series Taxable Bonds, due in full on April 15, 2054 (\$500,000) and April 15, 2122 (\$500,000)	3.52% - 4.35%	April 15, 2054 and 2122	1,000,000	1,000,000
Other notes payable with various maturities			226,610	184,580
Total outstanding notes and bonds payable			3,339,740	3,300,145
Unamortized original issue premiums/discounts and cost of issuance, net			(13,360)	(13,808)
Total			\$ 3,326,380	\$ 3,286,337

Bonds payable are redeemable at the option of the university at various times from 2026 through 2122. The university is subject to, and in compliance with, all required restrictive covenants. During 2026 and 2025, interest, accretion of debt discount and related fees incurred on notes and bonds payable totaled \$117,907 and \$115,704, respectively.

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Maturities on notes and bonds payable for the next five fiscal years are as follows:

2027	126,714
2028	2,607
2029	2,722
2030	2,747
2031	135,217
Thereafter	3,069,733

As of June 30, 2026, the university has other lines of credit aggregating to \$530,000 with maturity dates ranging from June 2027 to March 2029. The university expects that these lines of credit will generally be renewed but can make no assurances. There was no balance outstanding on the lines of credit as of June 30, 2026 and 2025.

During the year ended June 30, 2026, the university established a taxable commercial paper program authorizing the university to issue in aggregate up to \$500,000 in commercial paper notes. There was no balance outstanding under the commercial paper program as of June 30, 2026.

8. Operating Leases

The university and its consolidated affiliates primarily lease laboratories, office space, and medical offices for educational, research, and patient care purposes under operating leases expiring through fiscal 2036. At June 30, 2026 and 2025, the weighted average remaining lease term was 4.0 and 4.4 years and the weighted average discount rate was 4.34% and 4.17%, respectively. Lease expense is included in supplies, services, and other on the consolidated statement of activities.

The undiscounted cash flows due by fiscal year related to significant non-cancelable operating leases with initial terms in excess of one year as of June 30, 2026, along with a reconciliation to the discounted amount recorded as of June 30, 2026 were as follows:

2027	25,397
2028	20,786
2029	13,491
2030	8,811
2031	4,772
Thereafter	5,852
Total minimum lease payments	<u>\$ 79,109</u>
Less: Imputed interest	<u>(9,392)</u>
Total lease liabilities	<u>\$ 69,717</u>

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9. Derivative and Other Financial Instruments

The university utilizes derivative instruments including futures, swaps, and options, to manage market risk, to provide temporary investment exposure in stocks and bonds, and to manage currency and interest rate exposures. When directly implementing a derivative strategy, the university uses a third-party manager to execute, settle and manage the positions on a non-discretionary basis. These contracts are valued at periodic intervals such as daily, monthly, and quarterly as well as at June 30, with the resulting changes in the values of the contracts either added to or deducted from the university's custodial account. Derivative financial instruments are measured at fair value and recognized in the consolidated statement of financial position as assets or liabilities, with changes in fair value recognized within investment returns, net in the consolidated statement of activities. As of June 30, 2026, and 2025, the university pledged cash collateral and investment securities to support certain derivative positions. These pledged assets remain recognized within investments on the consolidated statements of financial position. Indirect strategies in derivatives held by limited partnerships and commingled investment trusts in which the university invests pose no off-balance sheet risk to the university due to the limited liability structure of the investments. Derivatives used to manage operating expenses are not material to the consolidated financial statements. No derivative contracts are designated as hedges for accounting purposes.

The following positions are reflected on a net basis within investments on the consolidated statement of financial position, categorized by contract type, as of June 30, 2026:

	Notional Amount/Volume	Gross Derivative Assets	Gross Derivative Liabilities	Net Fair Value	Net Unrealized Gain (Loss)	Cash Collateral
Options Contracts	\$ 296,181	\$ 41,192	\$ (61,988)	\$ (20,796)	\$ (873)	\$ 21,053
Futures Contracts	266,302	168	(3,059)	(2,891)	(2,891)	17,610
Total	<u>\$ 562,483</u>	<u>\$ 41,360</u>	<u>\$ (65,047)</u>	<u>\$ (23,687)</u>	<u>\$ (3,764)</u>	<u>\$ 38,663</u>

The following positions are reflected on a net basis within investments on the consolidated statement of financial position, categorized by contract type, as of June 30, 2025:

	Notional Amount/Volume	Gross Derivative Assets	Gross Derivative Liabilities	Net Fair Value	Net Unrealized Gain (Loss)	Cash Collateral
Futures Contracts	\$ 472,634	\$ -	\$ (12,142)	\$ (12,142)	\$ (12,142)	\$ 41,305
Total	<u>\$ 472,634</u>	<u>\$ -</u>	<u>\$ (12,142)</u>	<u>\$ (12,142)</u>	<u>\$ (12,142)</u>	<u>\$ 41,305</u>

10. Functional Expenses

Operating expenses are reported on the consolidated statements of activities in natural categories. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation expense. Operation and maintenance of plant and depreciation are allocated to functional categories largely based on square footage. Interest expense is allocated based on specific identification of the uses of debt proceeds. Instruction expenses include instruction, departmental research and patient care costs.

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Operating expenses by functional and natural classification for the year ended June 30, 2026 are as follows:

	Compensation and benefits	Supplies, services and other	Depreciation	Interest	Total
Instruction	\$ 2,150,205	\$ 655,967	\$ 91,281	\$ 37,222	\$ 2,934,675
Research	512,226	332,438	99,409	33,588	977,661
Academic Support	427,580	37,543	27,845	14,086	507,054
Student Services	77,719	66,183	9,333	4,160	157,395
Institutional Support	268,975	106,326	10,856	1,469	387,626
Auxiliary Enterprises	22,120	66,591	50,576	24,716	164,003
Other	35,325	37,396	357	150	73,228
Total	<u>\$ 3,494,150</u>	<u>\$ 1,302,444</u>	<u>\$ 289,657</u>	<u>\$ 115,391</u>	<u>\$ 5,201,642</u>

Operating expenses by functional and natural classification for the year ended June 30, 2025 are as follows:

	Compensation and benefits	Supplies, services and other	Depreciation	Interest	Total
Instruction	\$ 2,017,161	\$ 598,967	\$ 92,203	\$ 41,550	\$ 2,749,881
Research	524,763	337,374	90,661	30,554	983,352
Academic Support	430,694	30,710	26,350	14,115	501,869
Student Services	75,274	76,784	14,019	3,439	169,516
Institutional Support	238,728	60,000	9,679	1,183	309,590
Auxiliary Enterprises	24,061	68,975	53,864	21,171	168,071
Other	30,045	23,876	1,315	309	55,545
Total	<u>\$ 3,340,726</u>	<u>\$ 1,196,686</u>	<u>\$ 288,091</u>	<u>\$ 112,321</u>	<u>\$ 4,937,824</u>

Expenses incurred in carrying out the fundraising activities of the university are \$79,823 and \$78,035 for the years ended June 30, 2026 and 2025, respectively, and are reported within Institutional Support in the tables above.

11. Commitments and Contingencies

At June 30, 2026 and 2025, the university had outstanding commitments under certain construction contracts in the amount of \$134,332 and \$74,667, respectively.

The university maintains a self-insurance program for professional liability at the Medical School and a separate program for Washington University Physicians in Illinois. This program is supplemented with commercial excess insurance above the university's self-insurance retention. Funding for the program reserves is based on claims made. The assets supporting the funded reserve are reported as investments in the consolidated statements of financial position. The university also accrues for an estimate of claims incurred but not reported. Reserves, funded and unfunded, are based upon actuarial studies and represent undiscounted estimated claims and related costs. The total self-insurance reserves at June 30, 2026 and 2025, respectively, were \$142,287 and \$118,229. Self-insurance reserves are estimates based on historical loss experience

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and other factors, and while management believes that the reserves are adequate, the ultimate liabilities may be in excess of or less than the amounts provided.

The university is a party, along with other universities, to an agreement with a reciprocal risk retention group for purposes of obtaining general liability and auto liability insurance coverage in excess of a pre-determined retention level. Under the terms of these agreements, the university can be called upon to make additional capital contributions. In management's view, any such capital calls would not be material.

The university is involved in various legal proceedings, including inquiries and investigations by departments and agencies of the federal and state government, arising in the normal course of operations. Although the outcome of any legal proceeding, inquiry, or investigation cannot be predicted with certainty, it is the opinion of the university's management that the outcome of these matters individually or in the aggregate, will not have a material adverse effect on the business, consolidated statements of activities, financial position or liquidity of the university.

12. Retirement Plan

The university provides its employees with a defined contribution (403(b)) retirement savings plan in which employee contributions, university contributions and investment earnings accumulate to assist employees at retirement. Participating employees own individual retirement accounts through the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equity Fund (CREF). Under this arrangement, the university and plan participants make monthly contributions to TIAA-CREF. The amount of contribution made by the university is primarily based on employee's hire date and/or age. While participant contributions are fully vested when contributions are made, university contributions are subject to vesting provisions based primarily on employee's hire date. The university's share of the cost of these benefits in 2026 and 2025 was \$170,250 and \$167,918, respectively.

13. Agreements with Affiliated Hospitals

The university is party to a 45-year affiliation agreement with BJC, which expires December 31, 2069, and may not be terminated by either party without cause. The university receives variable funding from BJC based on the combined net operating income of the BJC operations within 150 miles of St. Louis, collectively identified as BJC East, and certain clinical operations of the university. The payment amount is determined semiannually with monthly fixed liquidity payments, adjusted annually for inflation, and semiannual final payments.

Payments to the university under the affiliation agreement are reported as affiliated hospital revenue on the consolidated statements of activities (see footnote 1). Amounts receivable under the agreements are \$183,632 and \$180,342 at June 30, 2026 and 2025, respectively. BJC has also agreed to fund on a cost-reimbursement basis over a period of years, certain expenditures by the university. Payments of \$21,840 and \$26,824 were received or accrued as gifts on the consolidated statements of activities under the agreement during 2026 and 2025, respectively.

14. Subsequent Events

The university has performed an evaluation of subsequent events through October 7, 2026, which is the date the consolidated financial statements were issued.