

FISCAL YEAR 2026

FINANCIAL REPORT

KPMG LLP
912 Headquarters Plaza
West Tower
Morristown, NJ 07960

Independent Auditors' Report

The Board of Trustees
University of Pittsburgh - Of the Commonwealth System of Higher Education:

Opinion

We have audited the consolidated financial statements of the University of Pittsburgh - Of the Commonwealth System of Higher Education (the University), which comprise the consolidated balance sheets as of June 30, 2026 and 2025, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to 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 U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. 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 U.S. generally accepted accounting principles, 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 that 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 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.

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In performing an audit in accordance with 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.

KPMG LLP

Morristown, New Jersey
October 19, 2026

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2026 AND 2025
(in thousands of dollars)

	2026	2025
ASSETS:		
Cash and cash equivalents *(Notes 1, 2 and 6)*	$ 68,058	$ 41,397
Operating investments *(Notes 1, 2, 5 and 6)*	473,821	390,344
Accounts, notes, and loans receivable, net *(Notes 2 and 3)*	404,946	494,017
Contributions receivable, net *(Notes 1 and 4)*	122,654	94,895
Pension asset *(Note 11)*	66,764	49,527
Other assets	25,489	24,630
Foundation assets *(Note 1)*	47,784	46,320
Endowment investments *(Notes 5 and 6)*	6,908,947	6,190,253
Endowed funds held by third parties *(Note 6)*	34,927	30,303
Operating lease right-of-use assets, net *(Note 7)*	165,863	179,647
Property, plant, and equipment, net *(Note 8)*	3,608,507	3,370,249
TOTAL ASSETS	$ 11,927,760	$ 10,911,582
LIABILITIES:		
Accounts payable and accrued expenses	$ 200,626	$ 179,097
Accrued payroll and related liabilities	92,560	90,239
Deferred student and other revenue *(Note 1)*	79,405	72,121
Advanced receipt of grant funds *(Note 1)*	105,098	102,579
Other liabilities *(Notes 6 and 10)*	80,494	87,193
Financing obligation *(Note 10)*	226,877	222,899
Postretirement obligations *(Note 11)*	523,922	511,107
Right-of-use lease liabilities *(Note 7)*	196,503	212,990
Bonds and notes payable *(Note 9)*	1,850,375	1,640,470
TOTAL LIABILITIES	3,355,860	3,118,695
NET ASSETS:		
Without donor restrictions *(Notes 1, 12 and 13)*		
Endowment designated for financial aid	2,275,096	2,075,391
Other designated endowments	1,802,895	1,604,188
Net invested in plant and other	1,380,601	1,316,247
Total without donor restrictions	5,458,592	4,995,826
With donor restrictions *(Notes 1 and 12)*		
Endowments *(Note 13)*	2,845,390	2,509,249
Other	267,918	287,812
Total with donor restrictions	3,113,308	2,797,061
TOTAL NET ASSETS	8,571,900	7,792,887
TOTAL LIABILITIES AND NET ASSETS	$ 11,927,760	$ 10,911,582

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

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026
COMPARED TO SUMMARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2025
(in thousands of dollars)

	2026			
OPERATING REVENUES:	Without Donor Restrictions	With Donor Restrictions	Total	2025
Tuition and fees (net of tuition discounts of $317.7 million and $304.7 million)	$ 784,354	$ -	$ 784,354	$ 738,059
Commonwealth appropriation	222,595	-	222,595	217,678
Research grants and contracts	1,182,505	-	1,182,505	1,253,012
Contributions for operations	57,035	73,510	130,545	82,501
Endowment distributions and investment income	263,792	-	263,792	267,760
Sales and services, educational and other	170,374	-	170,374	174,736
Sales and services, auxiliary	213,473	-	213,473	185,883
UPMC academic support *(Note 15)*	270,913	-	270,913	265,575
Net assets released from restrictions	33,137	(33,137)	-	-
Total operating revenues	3,198,178	40,373	3,238,551	3,185,204
OPERATING EXPENSES:				
Salaries and wages	1,498,946	-	1,498,946	1,496,630
Fringe benefits	449,050	-	449,050	426,029
Total compensation	1,947,996	-	1,947,996	1,922,659
Supplies	148,514	-	148,514	155,753
Business and professional	583,702	-	583,702	558,903
Facilities	141,942	-	141,942	130,092
Depreciation	249,978	-	249,978	225,838
Interest	64,156	-	64,156	59,691
Rent	70,068	-	70,068	63,600
Other	32,839	-	32,839	26,890
Total operating expenses *(Note 14)*	3,239,195	-	3,239,195	3,143,426
Change in net assets from operating activities	(41,017)	40,373	(644)	41,778
OTHER ACTIVITIES:				
Investment earnings, net of endowment distributions for operations	392,332	270,552	662,884	331,897
Contributions for endowment	-	68,738	68,738	49,097
Contributions for capital	-	10,000	10,000	10,000
Commonwealth construction grants	(210)	32,145	31,935	54,444
Change in fair value of interest rate swaps *(Note 10)*	4,933	-	4,933	(1,762)
Other components of net periodic benefit cost *(Note 11)*	(19,702)	-	(19,702)	(19,672)
Nonperiodic changes in benefit plans *(Note 11)*	20,869	-	20,869	13,362
Net assets released from restrictions	105,561	(105,561)	-	-
Total other activities	503,783	275,874	779,657	437,366
CHANGE IN NET ASSETS	462,766	316,247	779,013	479,144
NET ASSETS, BEGINNING OF YEAR	4,995,826	2,797,061	7,792,887	7,313,743
NET ASSETS, END OF YEAR	$ 5,458,592	$ 3,113,308	$ 8,571,900	$ 7,792,887

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

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(in thousands of dollars)

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees (net of tuition discounts of $304.7 million)	$ 738,059	$ -	$ 738,059
Commonwealth appropriation	217,678	-	217,678
Research grants and contracts	1,253,012	-	1,253,012
Contributions for operations	41,695	40,806	82,501
Endowment distributions and investment income	267,760	-	267,760
Sales and services, educational and other	174,736	-	174,736
Sales and services, auxiliary	185,883	-	185,883
UPMC academic support *(Note 15)*	265,575	-	265,575
Net assets released from restrictions	18,158	(18,158)	-
Total operating revenues	3,162,556	22,648	3,185,204
OPERATING EXPENSES:			
Salaries and wages	1,496,630	-	1,496,630
Fringe benefits	426,029	-	426,029
Total compensation	1,922,659	-	1,922,659
Supplies	155,753	-	155,753
Business and professional	558,903	-	558,903
Facilities	130,092	-	130,092
Depreciation	225,838	-	225,838
Interest	59,691	-	59,691
Rent	63,600	-	63,600
Other	26,890	-	26,890
Total operating expenses *(Note 14)*	3,143,426	-	3,143,426
Change in net assets from operating activities	19,130	22,648	41,778
OTHER ACTIVITIES:			
Investment earnings, net of endowment distributions for operations	199,505	132,392	331,897
Contributions for endowment	-	49,097	49,097
Contributions for capital	-	10,000	10,000
Commonwealth construction grants	-	54,444	54,444
Change in fair value of interest rate swaps *(Note 10)*	(1,762)	-	(1,762)
Other components of net periodic benefit cost *(Note 11)*	(19,672)	-	(19,672)
Nonperiodic changes in benefit plans *(Note 11)*	13,362	-	13,362
Total other activities	191,433	245,933	437,366
CHANGE IN NET ASSETS	210,563	268,581	479,144
NET ASSETS, BEGINNING OF YEAR	4,785,263	2,528,480	7,313,743
NET ASSETS, END OF YEAR	$ 4,995,826	$ 2,797,061	$ 7,792,887

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025
(in thousands of dollars)

	2026	2025
CASH AND CASH EQUIVALENTS:		
End of year	$ 68,058	$ 41,397
Beginning of year	41,397	42,533
CHANGE IN CASH AND CASH EQUIVALENTS	$ 26,661	$ (1,136)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 779,013	$ 479,144
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	298,197	268,346
Other components of net periodic benefit cost	19,702	19,672
Nonperiodic changes in benefit plans	(20,869)	(13,362)
Financing obligation accreted interest	3,978	3,942
Amortization of debt issuance costs and bond premiums, net	(13,868)	(11,403)
Loss on disposal of plant assets	2,496	9,758
Investment gain	(906,302)	(585,364)
Change in fair value of interest rate swaps	(4,933)	1,762
Contributions restricted for long-term investment	(119,094)	(118,784)
Changes in operating assets and liabilities:		
Accounts, notes, loans, and contributions receivable, net	76,112	(118,551)
Pension and other assets	2,226	3,587
Accounts payable and accrued expenses	39,395	4,943
Postretirement obligations	(6,340)	(5,337)
Other liabilities	10,358	(29,475)
Operating leases, net	(49,960)	(42,717)
Net cash provided by (used for) operating activities	110,111	(133,839)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expended for property, plant, and equipment – University	(476,663)	(583,551)
Expended for property, plant, and equipment – commonwealth	(31,935)	(54,444)
Purchases of endowment and operating investments	(5,475,930)	(2,866,282)
Proceeds from sales/maturities of endowment and operating investments	5,575,444	3,541,698
Change in foundation assets and other	(1,471)	(2,781)
Net cash (used for) provided by investing activities	(410,555)	34,640
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of debt	(259,490)	(39,700)
Proceeds, including premiums, from issuance of debt	483,263	-
Repayments on credit facilities	(35,000)	(50,000)
Borrowing on credit facilities	35,000	50,000
Principal payments on finance leases	(2,407)	(2,230)
Contributions restricted for long-term investment	105,739	139,993
Net cash provided by financing activities	327,105	98,063
CHANGE IN CASH AND CASH EQUIVALENTS	$ 26,661	$ (1,136)
Supplemental disclosure of cash flow information:		
Cash paid for interest (excluding fees)	$ 84,419	$ 82,056
Noncash investing activities:		
Change in accounts payable for property, plant, and equipment	$ (17,866)	$ (11,429)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization
Founded in 1787, the University of Pittsburgh (the University) is one of the oldest institutions of higher education in the United States. The University's mission is to provide high-quality undergraduate and graduate programs in the arts and sciences and professional fields; engage in research, artistic, and scholarly activities that advance learning through the extension of the frontiers of knowledge and creative endeavor; cooperate with industrial and governmental institutions to transfer knowledge in science, technology, and health care; offer continuing educational programs adapted to the personal enrichment, professional upgrading, and career advancement interests and needs of adult Pennsylvanians; and make available to local communities and public agencies the expertise of the University in ways that are consistent with the primary teaching and research functions and contribute to social, intellectual, and economic development in the commonwealth, the nation, and the world.

The University's main campus in the City of Pittsburgh comprises 16 schools and several academic centers educating approximately 31,000 students in various undergraduate, graduate, and doctorate-professional programs. Four regional campuses with a total enrollment approximating 4,300 students are located throughout western Pennsylvania.

Relationship with the Commonwealth of Pennsylvania
The University derives its corporate existence under the laws of the Commonwealth of Pennsylvania (the commonwealth) by reason of the act of the General Assembly of the commonwealth establishing an "Academy or Public School in the town of Pittsburgh" on February 28, 1787 and from the act of February 18, 1819 incorporating the "Western University of Pennsylvania." In 1908, the University's name was changed to the "University of Pittsburgh" by order of the Court of Common Pleas of Allegheny County. In 1966, the Pennsylvania State Legislature enacted the "University of Pittsburgh-Commonwealth Act," which changed the name of the University to the "University of Pittsburgh – of the Commonwealth System of Higher Education" and established the University as an instrumentality of the commonwealth to serve as a state-related institution in the Commonwealth System of Higher Education. The University is a Pennsylvania nonprofit corporation subject to the Nonprofit Corporation Law of 1988.

The entire management, control, and conduct of the instructional, administrative, and financial affairs of the University are vested with the Board of Trustees. The Board of Trustees is comprised of thirty-six voting members, including twelve commonwealth trustees and twenty-four term trustees. Term trustees include the Chancellor and Chief Executive Officer, the Chairperson of the University of Pittsburgh Medical Center Board of Directors (or their designee) and twenty-two additional trustees, elected by the board, of which at least six must be alumni of the University. The board also includes non-voting ex officio, special, and emeritus trustees (see Membership of the Board of Trustees).

Funding from the Commonwealth of Pennsylvania
As a state-related institution, the University receives an annual appropriation from the commonwealth. There is no assurance that such appropriation will continue to be made at current levels or at levels requested by the University. In addition, the commonwealth funds certain capital projects and sponsored research grants and contracts in support of the University's mission, as presented in the following table:

	2026	2025
Commonwealth appropriation:	*(in thousands of dollars)*	
General support	$ 151,507	$ 151,507
Rural Education Outreach – Bradford Campus	3,981	3,791
Supplemental funds – Academic Medical Centers and general support	67,107	62,380
Total commonwealth appropriation	222,595	217,678
Commonwealth construction grants	31,935	54,444
Commonwealth research grants and contracts	17,584	20,314
Total	$ 272,114	$ 292,436

Basis of Presentation
The consolidated financial statements include the accounts of the University, which do not include the net assets or activities of the University of Pittsburgh Medical Center (UPMC) or the University of Pittsburgh Physicians (UPP) clinical practice plans, as they are separate legal entities affiliated with but not controlled by the University. The University has the right to designate one-third of the members of the UPMC Board of Directors and any Executive Committee thereof.

The other activities section of the Consolidated Statement of Activities includes investment earnings, net of endowment distributions for operations; contributions for endowment; contributions for capital; commonwealth construction grants; change in fair value of interest rate swaps; other components of net periodic benefit cost; nonperiodic changes in benefit plans; and net assets released from restrictions for capital. Endowment distributions for operations represent those distributions not reinvested in the endowment (see Note 13).

Basis of Accounting
The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities.*

The University's net assets have been classified in accordance with the presence or absence of donor-imposed restrictions and are reported as follows:

- Net assets without donor restrictions – Includes revenues, gains, and losses, which are free from donor restrictions and are available for the general operating purposes of the University. All University expenses are reported as a reduction in net assets without donor restrictions. This class of net assets includes contributions and endowment distributions whose donor-imposed restrictions have been met within the fiscal year as well as endowment funds designated by the University's Board of Trustees or management, as delegated by the board.

- Net assets with donor restrictions – Includes endowed contributions and donor-imposed restrictions that may be met by the University through the passage of time or through the use of such funds in accordance with the donor's wishes. If unrestricted resources are used for a purpose for which restricted resources are available, the restrictions are considered to be released. Included in endowed contributions are pledges requiring the original corpus be maintained in perpetuity and donor restricted funds to be used as revolving student loan funds in perpetuity. The distributions generated by the endowed contributions may be either expended or reinvested in the endowment in accordance with donor restrictions and endowment contribution and spending policies. Contributions for capital construction or acquisition are reported as net assets with donor restrictions until the asset is placed into service.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statement of Activities.

Estimates
Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ materially from those estimates.

Revenue Recognition – Contracts with Customers and Accounts Receivable
The University recognizes revenue as it depicts the transfer of promised goods or services to customers in an amount that reflects the consideration it expects to be entitled in the exchange. The University uses the portfolio approach, a practical expedient, to evaluate if a contract exists and to assess collectability at the time of contract inception based on historical, current, and future factors. Contracts are periodically reviewed for collectability.

The following table presents the University's net revenue from contracts with customers:

	2026	2025
	(in thousands of dollars)	
Net tuition and fees	$ 784,354	$ 738,059
UPMC academic support	270,913	265,575
Sales and services, auxiliary	213,473	185,883
Sales and services, educational and other	170,374	174,736
Total	$ 1,439,114	$ 1,364,253

Tuition and fees include tuition from undergraduate, graduate, and doctorate-professional programs (net of discounts), and various academic and related fees. The University recognizes this revenue as the academic services are rendered and the performance obligation is met, which occurs ratably over the applicable period of instruction or academic term. Undergraduate programs totaled 72.3% and 72.1% of net tuition and fees in 2026 and 2025, respectively.

Tuition discounts are recorded to the extent that either institutional financial aid or aid funded by contributions, endowment distributions, and grant activities are awarded. Tuition discounts awarded in 2026 and 2025 were $317.7 million and $304.7 million, respectively. The portion of tuition discounts attributable to institutional funds in 2026 and 2025 was $277.3 million and $264.8 million, respectively. Tuition discounts attributable to contributions, donor-restricted endowment distributions, and grant activities were $40.4 million and $39.9 million in 2026 and 2025, respectively. Such discounts are reflected within net tuition and fees.

UPMC academic support includes revenues from UPMC and UPP to support teaching, research, and community service functions at the University. Revenue is recognized for these activities as performance obligations are met (see Note 15).

Sales and services, auxiliary includes revenues from activities conducted primarily to provide goods or services for students, faculty, and staff. Housing and meal plan revenue included in 2026 and 2025 comprised 85.8% and 85.2% respectively, and is recognized as performance obligations are met, which occurs ratably over the academic term. The remaining revenue consists primarily of bookstore and parking operations, which is generally recognized at the point of sale.

Sales and services, educational and other includes revenues from activities to provide students an enhanced educational experience including athletics, student services, and global experience programs. Revenue is recognized for these activities as performance obligations are met, which occurs ratably over the period of performance.

Students are invoiced prior to the start of the academic term and payment is generally due within three weeks of the start of classes. Student charges are comprised of all educational related items including tuition, housing and meal plan revenue, student fees, and educational materials. Receivables related to sales and services are invoiced based upon contractual terms with students and others.

The University maintains allowances for credit losses to reflect management's best estimate of expected losses inherent in financial assets, primarily receivable balances. Management determines the allowances for credit losses based on known troubled accounts, the age of the receivable, the anticipated source of payment, historical allowance considerations, and other current and future available evidence. Consideration is also given to any specific known risk areas among the existing accounts receivable balances.

The University has no significant contract assets or deferred contract costs at June 30, 2026 or June 30, 2025.

The University recognizes a contract liability, or deferred revenue, for payments received in advance of providing services under certain contracts. Contract liabilities include advanced receipt of student tuition and fees, athletic ticket sales, and housing and food service revenue. These contract liabilities are recorded in deferred student and other revenue on the Consolidated Balance Sheets. Revenue recognized related to prior period contract liabilities in 2026 and 2025 was $47.4 million and $43.6 million, respectively.

Revenue Recognition – Contributions
The University recognizes revenue from contributions in accordance with the existence, or absence, of conditions placed on the contribution. Revenue from conditional contributions is recognized when the conditions surrounding the contribution or pledge are substantially met, while unconditional contributions are recognized as revenue immediately in the period the contribution or pledge is made.

The University initially records at fair value unconditional pledges (which are agreements with donors involving non-reciprocal transfers of cash or other assets) as net assets with donor restrictions or without donor restrictions depending on the existence, or absence, of donor-imposed restrictions. Contributions whose restrictions are met in the same fiscal year in which they are received are reported with net assets without donor restrictions. Contributions receivable are discounted at a risk-adjusted rate commensurate with the donor's payment plan.

Contributed nonfinancial assets received by the University primarily consist of works of art or archived history documents with fair values that are not significant and are reported within contributions for operations in the Consolidated Statement of Activities.

Revenue Recognition – Commonwealth
Commonwealth appropriation revenue is provided by the commonwealth to support a reduction in tuition rates for Pennsylvania resident students. The reduction in rates in 2026 and 2025 amounted to $359.7 million and $337.9 million, respectively, which significantly exceeds the general support appropriation of $151.5 million in each year. Funds are to be spent in accordance with applicable laws and revenue is recognized ratably over the fiscal year as qualified expenses are incurred.

Commonwealth construction grants are provided by the commonwealth to fund certain capital projects in support of the University's mission. This revenue is reported as net assets with donor restrictions until the capital project is completed and placed in service, at which time the net assets are released from restrictions. During 2026, $57.5 million of net assets for capital projects were released from restrictions. No such net assets were released during 2025.

Revenue Recognition – Research Grants and Contracts
The University conducts research sponsored by the federal government and various other parties including the commonwealth, local government entities, companies, and foundations. During 2026 and 2025, approximately 65% of the University's total sponsored research grants and contracts revenue was from the National Institutes of Health. Revenue from sponsored research is recognized when contract conditions are substantially met. Most contracts for federally sponsored research apply a cost-reimbursement method with contractually defined "direct costs" accompanied by an "indirect cost rate" that is negotiated and contracted separately from individual sponsored research contracts. The sum of these revenues is recognized as qualifying direct costs are incurred. Indirect cost recovery rates from non-federal sources may vary. Differences in timing between receipts of funds and revenue recognition is recorded either as a receivable or advanced receipt of grant funds on the Consolidated Balance Sheets.

For federally sponsored research, the University negotiated and approved indirect cost rate allows for the recovery of indirect costs based on a portion of certain qualifying direct costs. Indirect costs are incurred for a common or joint purpose benefiting more than one cost objective and are not readily identifiable with a particular research project. Such costs include essential research infrastructure including facilities, laboratories, technological devices, safety and compliance systems, and defined research staff and maintenance costs required to carry out the sponsored research.

For the years ended June 30, federal and non-federal sponsored research grants and contracts revenue recognized for reimbursement of contracted direct costs and indirect cost rates and other sponsored research consists of the following:

	2026	2025
Federal research grants and contracts:	*(in thousands of dollars)*	
Direct costs	$ 736,672	$ 794,224
Indirect cost reimbursement	270,349	288,370
Total federal research grants and contracts	1,007,021	1,082,594
Non-federal research grants and contracts	175,484	170,418
Total research grants and contracts	$ 1,182,505	$ 1,253,012

Cash and Cash Equivalents and Operating Investments
Cash equivalents consist of investments with original maturities of 90 days or less. Operating investments include U.S. Treasury instruments and other high-quality, liquid securities that at the time of purchase are rated A3/P-1 or better by Moody's Investors Service or A-/A-1 or better by Standard & Poor's Ratings Services. Operating investments, together with cash and cash equivalents, are utilized to fund the University's short-term operating needs and are invested with the expectation that such securities can be liquidated at their current value in a short time frame. Cash equivalents associated with endowment investments are shown therewith, as such funds are utilized for endowment purposes rather than University operating needs and therefore are not included in cash and cash equivalents for purposes of the Consolidated Statement of Cash Flows.

Foundation Assets
The University's foundation assets represent the University's interest in the Bradford Educational Foundation (BEF). The BEF is a 509(a)(3) Type III supporting organization whose sole purpose is to receive, administer, and distribute property for the benefit of the University of Pittsburgh Bradford campus. The BEF is governed by an independent board of directors, with the majority of members being non-University members. Although the University does not exercise control of the BEF, all assets held by the BEF are held for the financial benefit of the University. As such, the consolidated financial statements include the net assets and annual change in net assets of the BEF.

Endowment Investments
The University's endowment investments are reported at fair value. The fair value of direct University holdings in publicly traded securities and exchange traded funds are based upon quoted or published market prices. The fair value of all other investments, which consist of indirect holdings in both privately and publicly traded assets, is determined using net asset value (NAV) per share or unit of interest. Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund managers and reviewed by the University. Indirect holdings of private assets primarily consist of University interests in funds investing in nonmarketable alternatives, real assets, private credit, and/or distressed securities, whereas indirect holdings of publicly traded assets primarily consist of University interests in marketable alternatives or other commingled funds. Nonmarketable alternatives are private equity or equity-like holdings in venture capital, buyout, or recapitalized companies. Real assets are physical assets, or financial assets associated with such physical assets, whose income streams and/or fair values tend to rise with inflation; they include real estate, natural resources, commodities, and other hard assets. Private credit consists of debt or debt-like instruments in both public and private companies. Marketable alternatives consist of absolute return-oriented strategies, distressed debt, long/short equity, and other hedging strategies. In the case of indirect holdings, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates, and commodity prices may significantly impact the NAV of the funds holding the investments and, consequently, the fair value of the University's interest in such funds and could materially affect the amounts reported in the consolidated financial statements. Although a secondary market exists for these investments, it is not active, and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant. If it is probable these investments will be sold for an amount different than NAV, measurement of the investments will be adjusted to fair value. As of June 30, 2026 and 2025, the University had no plans or intentions to sell investments at amounts different from NAV. The University attempts to manage these risks through diversification, ongoing due diligence of fund managers, maintaining adequate liquidity, and continuously monitoring economic and market conditions.

Dividend income is recognized net of applicable withholding taxes on the ex-dividend date. Noncash dividends are recorded at the fair value of the securities received. Interest income and expenses are recorded net of management fees and applicable withholding taxes on the accrual basis of accounting.

Government Loan Funds
U.S. government student loans of $11.1 million and $12.0 million are recorded at June 30, 2026 and 2025, respectively, as other liabilities on the Consolidated Balance Sheets because these funds are refundable to the federal government under certain conditions. Student loan funds donated by private groups, organizations, or individuals are recorded as net assets with donor restrictions since such funds operate on a revolving fund basis with principal and interest payments remaining in the fund for future lending.

Derivative Financial Instruments
The University records derivatives at fair value on the Consolidated Balance Sheets with changes in fair value reflected in the Consolidated Statement of Activities (see Note 10).

Split-Interest Agreements
These agreements with donors consist primarily of charitable gift annuities, pooled income funds, 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. Endowment investments include $43.4 million and $36.8 million at June 30, 2026 and 2025, respectively, and other liabilities include $17.7 million and $16.7 million at June 30, 2026 and 2025, respectively, for split-interest agreements.

The University maintains separate and distinct reserve funds adequate to meet future payments of all outstanding charitable gift annuities administered by the University. The University complies with applicable state annuity reserve requirements.

Property, Plant, and Equipment, Net
Property, plant, and equipment is recorded at cost, or if acquired by contribution, at fair value as of the date of the contribution. Depreciation is calculated using the straight-line method. Useful lives generally range from 15 to 40 years for buildings and improvements and 5 to 10 years for furnishings and equipment. As assets are retired, sold, or otherwise disposed, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheets, and gains or losses are recognized in the Consolidated Statement of Activities. Costs associated with the construction of new facilities and renovation and expansion of existing facilities are capitalized within construction in progress until such projects are placed in service. The University capitalizes software and certain implementation costs and generally depreciates such assets over 5 to 10 years. Works of art, historical treasures, and similar assets include a variety of paintings, sculptures, photographs, antiques, and furnishings, as well as scholarly papers and archives. These assets are used for public exhibition, the preservation of artifacts and antiques for future generations, and scholarly research. Due to their nature, these assets are not depreciated. Library books, which include hard copy publications, periodicals, and electronic publications with rights to archival content, are depreciated over a period of 7 years. Maintenance and repairs are expensed as incurred.

Insurance Liabilities
The University is self-insured through an agreement with UPMC to provide medical coverage for its employees. A liability for estimated incurred but unreported claims of $21.9 million and $14.0 million has been recorded at June 30, 2026 and 2025, respectively, based upon management's analysis of claims history. This liability is reflected in accrued payroll and related liabilities on the Consolidated Balance Sheets.

The University is also self-insured for other activities, including workers' compensation, unemployment compensation, and certain litigation claims. Liabilities have been established for these programs generally based on third-party administrators' estimates using the University's historical loss experience. The self-insurance accrual is subject to periodic adjustment by the University based on actual loss experience factors. Liabilities for these other self-insured obligations aggregated $4.8 million and $5.4 million at June 30, 2026 and 2025, respectively, and are included in accrued payroll and related liabilities on the Consolidated Balance Sheets.

Collective Bargaining Agreements
In May 2024, faculty represented by the United Steelworkers ratified an initial 3-year agreement with the University. Individuals represented include full-time and part-time faculty and librarians other than those in the School of Medicine. The University is currently negotiating a new agreement with the bargaining unit.

In September 2024, certain University staff members voted in favor of being represented by the United Steelworkers and were split into two bargaining units of professional and nonprofessional employees. In November 2024, graduate student workers also voted in favor of being represented by the United Steelworkers. The University is currently negotiating initial agreements with these bargaining units.

Tax-Exempt Status
The University is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements. No provision for income taxes was required for 2026 or 2025.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, the following financial assets could be made available within one year of the balance sheet date to meet general expenditures:

	2026	2025
	(in thousands of dollars)	
Cash and cash equivalents	$ 39,875	$ 41,397
Operating investments	450,994	374,405
Accounts and notes receivable, net	381,700	470,111
Expected payout on designated endowment – financial aid	90,236	91,815
Expected payout on endowments – other	161,896	144,630
Financial assets available within one year	$ 1,124,701	$ 1,122,358

The University regularly monitors liquidity required to meet all general and capital expenditures, liabilities, and contractual obligations, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general operating needs over a twelve-month period, the University considers all expenditures related to its ongoing activities of teaching, research, and public service mission. This includes operating expenses, principal and interest payments on debt, and capital-related expenditures. Resources not available to meet general expenditures within one year may include those with external limitations imposed by donors, laws, contracts, or internal limitations imposed by management restrictions.

The University has various sources of liquidity, including cash and cash equivalents, operating investments, and lines of credit. Operating investments consist of high-quality securities which are utilized to fund the University's short-term operating needs and are invested with the expectation that such securities can be liquidated at their current value in a short time frame.

Accounts and notes receivable consists of amounts expected to be converted to cash within twelve months including amounts due from students; sponsors of research, instruction, and public service initiatives; UPMC; the commonwealth; and various other entities. Student loans receivable are not included, as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

The University maintains a management-designated endowment fund, the payout from which is used to support student financial aid. Payout on other endowments represents distributions which are expected to be available for use in the next twelve months. These funds are primarily available to the academic units in which the endowments were directed and are used to support scholarships, chairs, and other initiatives.

To manage unanticipated liquidity needs, the University has access to taxable and/or tax-exempt commercial paper up to $600.0 million, of which $41.3 million is issued as of June 30, 2026. Additionally, the University has two general unsecured credit facilities aggregating $65.0 million at June 30, 2026. The University made draws of $35.0 million against the facilities during 2026, and there are no outstanding balances at June 30, 2026. Termination dates on the lines of credit available at June 30, 2026 are July 2027 and January 2028.

The University also maintains a $100.0 million unsecured credit facility at June 30, 2026 to manage the cash flow requirements of the University’s endowment. No draws were made against the credit facility during 2026, and it terminates in January 2028.

NOTE 3: ACCOUNTS, NOTES, AND LOANS RECEIVABLE, NET

Accounts, notes, and loans receivable, net, at June 30 consists of the following:

	2026	2025
	(in thousands of dollars)	
Sponsored grant receivables, net	$ 199,903	$ 303,264
Commonwealth appropriation receivable	80,320	80,008
Plant construction receivables due from commonwealth	35,457	19,489
Other receivables, net	33,677	30,166
Student loans receivable, net	23,246	23,906
Hospitals and affiliated organizations receivables, net	18,312	26,685
Student receivables, net	14,031	10,499
Total accounts, notes, and loans receivable, net	$ 404,946	$ 494,017

NOTE 4: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at June 30 consists of the following:

	2026	2025
Amounts due in:	*(in thousands of dollars)*	
Less than one year	$ 54,738	$ 46,223
One to five years	72,763	51,141
Greater than five years	9,722	12,103
Gross contributions receivable	137,223	109,467
Less:		
Allowance for uncollectible pledges	(2,495)	(3,330)
Unamortized discounts	(12,074)	(11,242)
Total contributions receivable, net	$ 122,654	$ 94,895

At June 30, 2026 and 2025, the five largest outstanding pledge balances represented 69% and 58%, respectively, of the University's net contributions receivable.

The University has been named a beneficiary in the wills of numerous donors totaling $417.9 million and $389.5 million at June 30, 2026 and 2025, respectively. Bequests are considered intentions to give and do not fall within the definition of an unconditional pledge, and hence, are not recognized in the consolidated financial statements. Conditional pledges of $43.5 million and $53.7 million at June 30, 2026 and 2025, respectively, will be recognized as contribution revenue in the consolidated financial statements when the conditions surrounding the pledges are substantially met.

NOTE 5: ENDOWMENT AND OPERATING INVESTMENTS

Investments at June 30 consist of the following:

	2026	2025
	(in thousands of dollars)	
Endowment investments:		
Pooled	$ 6,849,152	$ 6,138,298
Nonpooled	59,795	51,955
Subtotal endowment investments	6,908,947	6,190,253
Operating investments	473,821	390,344
Total endowment and operating investments	$ 7,382,768	$ 6,580,597
Composition of endowment investments:		
Cash equivalents	$ 233,335	$ 67,845
Public equities	2,035,716	2,014,190
U.S. government, corporate bonds, and other obligations	536,272	377,622
Alternative investment funds, partnerships, and exchange traded funds:		
Marketable alternatives	826,836	673,768
Nonmarketable alternatives	2,186,491	1,911,587
Real assets	872,336	946,068
Private credit	217,961	199,173
Total endowment investments	$ 6,908,947	$ 6,190,253
Composition of operating investments:		
U.S. government and government agencies' securities, repurchase agreements, and commercial paper	$ 253,521	$ 192,042
Corporate bonds and other obligations	189,284	173,020
Other	31,016	25,282
Total operating investments	$ 473,821	$ 390,344

Individual endowment fund assets are pooled and collectively managed on a unitized basis. Each endowment fund subscribes to or disposes of units in the pool using fair value per unit at the beginning of the month that such subscription or disposition occurs to account for the transaction. Nonpooled endowment investments include other miscellaneous investments that cannot be invested in the pooled endowment due to size or donor restrictions.

The philosophies and policies employed in the management of the endowment are long-term by definition, as they are based on the expectation that the endowment will continue to provide financial support to the University in perpetuity. Accordingly, the University's investment policy is intended to optimize long-term total return — income plus capital appreciation — relative to the level of risk taken.

The University's investment policy contemplates the effects of its spending policy. The endowment spending policy balances the need for reliable and predictable earnings distributions to support current University activities with the desire to maintain the purchasing power of endowment assets so that they can continue providing financial support for future generations.

The following table summarizes the University's investments at June 30, 2026 and 2025, for which NAV was used as a practical expedient to estimate fair value:

Asset Class	Fair Value Determined Using NAV 2026	Fair Value Determined Using NAV 2025	Unfunded Commitments at June 30, 2026	Redemption Frequency	Redemption Notice Period
	(in thousands of dollars)				
Public equities	$ 851,428	$ 595,215	$ -	30 days – 1 year	30 – 90 days
Marketable alternatives:					
Redeemable within one year	381,180	411,227	-	30 days – 1 year	30 – 90 days
Redeemable beyond one year	409,942	227,244	-	1 – 3 years	60 – 120 days
Nonredeemable	35,714	35,297	14,014	NA	NA
Total marketable alternatives	826,836	673,768	14,014		
Nonmarketable alternatives	2,186,491	1,911,587	976,820	NA	NA
Real assets – Nonredeemable	872,336	946,068	363,070	NA	NA
Private credit	217,961	199,173	75,371	NA	NA
Total	$ 4,955,052	$ 4,325,811	$ 1,429,275		

Descriptions follow for each asset class set forth in the table above:

Public Equities
A portion of the University's investments in public equities includes interests in funds that hold publicly traded domestic, international, and emerging market equities.

Marketable Alternatives
The University's investments in marketable alternatives are interests in commingled funds that hold various combinations of long and short positions predominantly in publicly traded equities, fixed income, and financial derivatives. Funds that are nonredeemable typically have investment periods of three or more years during which committed capital may be called and invested. The University's interests in the nonredeemable funds are considered to be illiquid in that they are not easily transferable and typically achieve liquidity over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund assets.

Nonmarketable Alternatives
The University's investments in nonmarketable alternatives are interests in commingled, private equity funds, including venture capital. These funds are invested in equity and equity-like securities of mostly non-publicly traded companies over investment periods of typically three to five years during which committed capital may be called and invested. The University's interests in private equity funds are considered to be illiquid in that they are not easily transferable and typically achieve liquidity over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund assets. In addition to investments in commingled funds, the University may invest directly in privately-held companies alongside its commingled funds.

Real Assets
The University's investments in real assets are interests in commingled funds that hold various combinations of publicly and non-publicly traded physical assets (such as real estate, natural resources, commodities, and utilities), the financial assets and derivatives associated with such physical assets, and the equity and equity-like securities of companies engaged in physical asset ownership, operations, and/or services. Funds that are nonredeemable typically have investment periods of three or more years during which committed capital may be called and invested. The University's interests in the nonredeemable funds are considered to be illiquid in that they are not easily transferable and typically achieve liquidity over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund assets.

Private Credit
The University's investments in private credit are interests in commingled funds that hold various combinations of publicly and non-publicly traded assets. These assets generally include, but are not limited to, music royalties, consumer finance, special situations, mezzanine credit, direct lending, and litigation finance. Funds that are nonredeemable typically have investment periods of three to five years during which committed capital may be called and invested. The University's interests in the nonredeemable funds are considered to be illiquid in that they are not easily transferable and typically achieve liquidity over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund assets.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted or published prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted or published prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability that are used to measure fair value when observable inputs are not available. These inputs are developed based upon the best information available in such circumstances.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer of the fair value measurement into a different level, such transfers are recognized at the end of the reporting period.

The following tables summarize the inputs used in valuing the University's assets and liabilities carried at fair value, excluding investments stated at NAV as a practical expedient, at June 30, 2026 and 2025:

	2026			
	Level 1	Level 2	Level 3	Total
Assets	*(in thousands of dollars)*			
Cash equivalents	$ 38,595	$ 29,463	$ -	$ 68,058
Endowment investments:				
Cash equivalents	8,289	225,046	-	233,335
Public equities	1,184,288	-	-	1,184,288
U.S. government, corporate bonds, and other obligations	529,378	6,894	-	536,272
Subtotal endowment investments[(a)]	1,721,955	231,940	-	1,953,895
Operating investments:				
U.S. government, corporate bonds, and other obligations	396,937	45,868	-	442,805
Other	7,114	1,075	22,827	31,016
Endowed funds held by third parties	-	-	34,927	34,927
Total assets	$ 2,164,601	$ 308,346	$ 57,754	$ 2,530,701
Liabilities				
Interest rate swaps	$ -	$ 11,975	$ -	$ 11,975

	2025			
	Level 1	Level 2	Level 3	Total
Assets	*(in thousands of dollars)*			
Cash equivalents	$ 3,142	$ 38,255	$ -	$ 41,397
Endowment investments:				
Cash equivalents	2,672	65,173	-	67,845
Public equities	1,418,761	-	214	1,418,975
U.S. government, corporate bonds, and other obligations	371,150	6,472	-	377,622
Subtotal endowment investments[(a)]	1,792,583	71,645	214	1,864,442
Operating investments:				
U.S. government, corporate bonds, and other obligations	305,272	59,790	-	365,062
Other	8,219	1,124	15,939	25,282
Endowed funds held by third parties	-	-	30,303	30,303
Total assets	$ 2,109,216	$ 170,814	$ 46,456	$ 2,326,486
Liabilities				
Interest rate swaps	$ -	$ 16,908	$ -	$ 16,908

(a) The subtotals of endowment investments within the fair value tables above exclude investments of $4,955,052 and $4,325,811 as of June 30, 2026 and 2025, respectively, which are measured at NAV as a practical expedient and are not classified in the fair value hierarchy (see Note 5).

The following table summarizes the change in the Level 3 activity for the years ended June 30, 2026 and 2025:

	Public Equities	Other Operating and Endowed Funds Held by Third Parties	Total
		(in thousands of dollars)	
Fair Value – June 30, 2024	$ 242	$ 43,305	$ 43,547
Capital calls/purchases	-	3,069	3,069
Distributions/sales	(100)	(1,037)	(1,137)
Realized gains (losses)	7	(238)	(231)
Unrealized gains	65	1,143	1,208
Fair Value – June 30, 2025	$ 214	$ 46,242	$ 46,456
Capital calls/purchases	-	7,376	7,376
Distributions/sales	(389)	(204)	(593)
Realized gains	195	136	331
Unrealized (losses) gains	(20)	4,204	4,184
Fair Value – June 30, 2026	$ -	$ 57,754	$ 57,754

NOTE 7: LEASES

The University has operating and finance leases for campus facilities, office space, equipment, and vehicles. Right-of-use (ROU) assets represent the University's right to use an underlying asset for the lease term, if greater than twelve months. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating and finance lease ROU assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Rental income arising from operating leases as a lessor is included in operating revenue in sales and services, educational and other in the Consolidated Statement of Activities.

The Consolidated Balance Sheet location of assets and liabilities related to operating and finance leases as of June 30 follow:

	Location on Consolidated Balance Sheets	2026	2025
Assets:		*(in thousands of dollars)*	
Operating lease assets	Operating lease right-of-use assets, net	$ 165,863	$ 179,647
Finance lease assets	Property, plant, and equipment, net	19,472	22,027
Total lease assets		$ 185,335	$ 201,674
Liabilities:			
Operating lease liabilities	Right-of-use lease liabilities	$ 170,790	$ 184,870
Finance lease liabilities	Right-of-use lease liabilities	25,713	28,120
Total lease liabilities		$ 196,503	$ 212,990

The following table is a summary of the components of lease expense for the years ended June 30:

	Location on Consolidated Statement of Activities	2026	2025
		(in thousands of dollars)	
Operating lease expense	Rent, and business and professional	$ 56,143	$ 50,205
Finance lease expense			
Amortization of ROU assets	Depreciation	2,555	2,554
Interest on lease liabilities	Interest	1,297	1,443
Short-term lease expense	Rent	333	52
Variable lease expense	Rent	15,336	14,371
Total lease cost		$ 75,664	$ 68,625

The University recognized $1.6 million and $1.1 million in sublease income included in sales and services, educational and other in the Consolidated Statement of Activities in 2026 and 2025, respectively.

When the rate implicit in the contract is not readily determinable, a collateralized incremental borrowing rate is used as the discount rate for the present value of lease payments. Lease terms and discount rates follow:

Weighted average remaining lease term (years):	2026	2025
Operating leases	4.96	5.67
Finance leases	8.23	9.21
Weighted average discount rate:		
Operating leases	4.37%	4.30%
Finance leases	4.04%	4.04%

Supplemental cash flow information related to leases as of and for the years ended June 30, 2026 and 2025 are as follows:

	2026	2025
Cash paid for amounts included in the measurement of lease liabilities:	*(in thousands of dollars)*	
Operating cash flows paid for operating leases	$ 56,436	$ 50,467
Operating cash flows paid for interest portion of finance leases	$ 1,297	$ 1,443
Financing cash flows paid for principal portion of finance leases	$ 2,407	$ 2,230
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 34,548	$ 5,489
Reduction of right-of-use assets for terminations of lease agreements	$ (269)	$ (354)

The approximate future minimum lease payments under operating and financing leases as of June 30, 2026 are as follows:

	Operating Leases	Finance Leases	Total
		(in thousands of dollars)	
2027	$ 50,923	$ 3,697	$ 54,620
2028	37,601	3,690	41,291
2029	34,913	3,723	38,636
2030	26,856	3,756	30,612
2031	13,045	3,789	16,834
Thereafter	27,048	12,098	39,146
Total lease payments	190,386	30,753	221,139
Less: imputed interest	(19,596)	(5,040)	(24,636)
Present value of lease liabilities	$ 170,790	$ 25,713	$ 196,503

Approximate future minimum rental revenue under operating leases that have initial or remaining noncancelable lease terms for the years ended June 30 are as follows:

	Lessor Rental Revenue
	(in thousands of dollars)
2027	$ 20,050
2028	19,423
2029	19,081
2030	10,973
2031	11,140
Thereafter	68,763
Total	$ 149,430

NOTE 8: PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment, net, at June 30 is summarized below:

	2026	2025
	(in thousands of dollars)	
Land	$ 133,609	$ 130,196
Buildings and improvements	5,621,503	4,660,421
Equipment	1,127,071	1,052,616
Library books	387,704	377,500
Works of art, historical treasures, and similar assets	28,127	27,950
Construction in progress	488,689	1,080,696
Subtotal	7,786,703	7,329,379
Less: Accumulated depreciation	(4,178,196)	(3,959,130)
Total property, plant, and equipment, net	$ 3,608,507	$ 3,370,249

The amount capitalized in property, plant, and equipment related to expenditures funded by the commonwealth on behalf of the University totaled $947.5 million and $888.3 million at June 30, 2026 and 2025, respectively. The net book value of these items was $302.2 million and $273.2 million at June 30, 2026 and 2025, respectively.

The University has recognized a liability for conditional asset retirement obligations and through an analysis of such obligations, determined that asbestos remediation costs represented the primary source of the liability. The University reviewed facilities on all campuses and estimated the timing, method, and cost of remediation. The resulting liability for conditional asset remediation obligations was $19.1 million and $19.0 million at June 30, 2026 and 2025, respectively, and is reported in other liabilities on the Consolidated Balance Sheets.

NOTE 9: BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30 are reported based upon outstanding principal and consists of the following:

	Range of Years Remaining to Maturity	2026 Effective Interest Rates	Outstanding Principal *(in thousands of dollars)* 2026	2025
Variable-rate bonds and notes:				
Series 2014-B1/B2, tax-exempt	3 mos. – 10	2.65% – 2.88%	$ -	$ 46,000
Commercial Paper, tax-exempt	≤270 days	2.35% – 2.60%	41,250	-
Total variable-rate bonds and notes			41,250	46,000
Fixed-rate bonds and notes:				
Series 2014-A, tax-exempt	10 – 18	3.51% – 3.65%	49,000	49,000
Series 2017-A, taxable	3 mos. – 10	3.03% – 3.65%	194,200	205,700
Series 2017-B, taxable	3 mos. – 4	3.25% – 3.60%	65,530	86,255
Series 2017-C, taxable	5 – 15	2.53% – 3.01%	160,000	160,000
Series 2019-A, taxable	93	3.56%	400,000	400,000
Series 2023-A, tax-exempt	8	3.54%	275,000	275,000
Series 2025-A, tax-exempt	10	3.01%	200,000	-
Series 2021 PANTHERS™ Notes, due April 15, 2026		0.63%	-	181,265
Series 2023 PANTHERS™ Notes, due February 15, 2029		3.40%	200,000	200,000
Series 2025 PANTHERS™ Notes, due April 15, 2032		2.68%	177,000	-
Interest-bearing promissory notes, due December 1, 2055		1.25%	9,085	-
Noninterest-bearing promissory note			171	171
Total fixed-rate bonds			1,729,986	1,557,391
Unamortized net premium			87,624	44,502
Debt issuance costs			(8,485)	(7,423)
Total bonds and notes payable			$1,850,375	$1,640,470

The principal payments of bonds and notes payable for the next five years ending June 30 in millions of dollars are:

2027	$ 31.2
2028	$ 31.3
2029	$ 230.8
2030	$ 38.2
2031	$ 30.1

The foregoing principal payments do not include $41.3 million of outstanding tax-exempt commercial paper notes. These notes bear short-term rates that are fixed over staggered periods not to exceed 270 days. These notes are remarketed at the expiration of their respective rate periods.

In December 2025, the University issued Series 2025-A tax-exempt fixed rate bonds with a par amount of $200.0 million to reimburse expenses for various capital projects. These bonds mature on February 15, 2036.

In December 2025, the University issued its Pitt Asset Notes – Tax Exempt Higher Education Registered Series of 2025 (Series 2025 PANTHERS™ Notes) in the amount of $177.0 million to refund the Series 2021 PANTHERS™ Notes and to fund prior capital and equipment expenditures. The Series 2025 PANTHERS™ Notes mature on April 15, 2032.

In connection with the December 2025 bond and note issuances, the University also established a $600.0 million commercial paper program, under which notes may be issued as either taxable or tax-exempt. The current amount of tax-exempt commercial paper issued is $41.3 million, which replaced $41.3 million of variable rate demand bonds (VRDBs) that had been in commercial paper mode.

Liquidity support for the $41.3 million of outstanding tax-exempt commercial paper is provided by the University. If the University receives notice of a failed remarketing, it would have a current obligation to meet the shortfall. Since the University commenced providing self-liquidity in October 2009, there have been no failed remarketings.

The University entered loan agreements of $9.1 million in December 2025 with community development entities to fund eligible capital expenditures under the Federal New Markets Tax Credit program. These notes mature on December 1, 2055.

Interest expense incurred in 2026 and 2025 was $64.2 million and $59.7 million, respectively. Included in these amounts are net swap payments, capitalized interest associated with various construction projects, and interest expense derived from other financing liabilities. Capitalized interest for 2026 and 2025 was $16.1 million and $14.7 million, respectively.

NOTE 10: DERIVATIVES AND OTHER FINANCIAL OBLIGATIONS

The University does not issue or trade derivative financial instruments except as described herein. University financial assets are invested on its behalf with various investment managers, some of whom are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives are generally used for managing interest rate or foreign currency risk or to hedge a specific financial market position. Additionally, the University has entered into various interest rate swap agreements to hedge its interest rate risk associated with certain debt obligations.

The University may be exposed to financial loss should a derivative counterparty fail to perform pursuant to the instrument. Counterparties are typically financial institutions or exchanges. Counterparty risks are mitigated by using creditworthy counterparties, settling positions periodically, and requiring collateral to be posted at predetermined levels of exposure.

Not including University derivative instruments held by various alternative investment funds, the University invested in futures and total return swap contracts with gross notional values of $106.3 million and $42.1 million at June 30, 2026 and 2025, respectively. When the University uses futures and total return swaps to replicate an investment position, it may also post required collateral. Futures contracts and total return swaps are marked-to-market daily based on settlement prices established by the exchange or the appropriate International Swaps and Derivatives Association (ISDA) counterparty with which they are traded. Gains and losses are realized when the contracts expire or are closed. There were unrealized losses of $0.2 million and unrealized gains of $0.1 million on these future and total return swap contracts at June 30, 2026 and June 30, 2025, respectively.

The University's liability arising from variable-to-fixed interest rate swap agreements associated with certain University debt obligations had an aggregated fair value of $12.0 million and $16.9 million at June 30, 2026 and 2025, respectively, and are included in other liabilities on the Consolidated Balance Sheets (see also Note 6). The fair value represents the estimated amount the University would be required to pay to terminate these agreements as of the respective fiscal year-end. The University recognized in the Consolidated Statement of Activities an unrealized gain of $4.9 million in 2026 and an unrealized loss of $1.8 million in 2025 due to changes in fair value of the swaps.

The aggregate notional amount of the swap agreements associated with University debt was $240.5 million and $260.5 million at June 30, 2026 and 2025, respectively. These swaps were entered into for the sole purpose of hedging interest payable on certain University VRDBs currently using the Secured Overnight Financing Rate (SOFR). Net swap payments made or received by the University are reported in interest expense in the Consolidated Statement of Activities. No collateral was called or posted during 2026 or 2025 with respect to these swap agreements. Furthermore, the University does not anticipate posting collateral pursuant to these swap agreements since there are no collateral thresholds applicable to the University given the University's current credit ratings.

In May 2019, the University entered into a transaction with a third-party developer to develop a mixed-use facility consisting of commercial, laboratory, parking, and office space. The land upon which the facility was constructed is owned by the University and ground leased to the developer for a term of 65 years. Construction of the facility was completed in January 2022 and leased by the University for an initial term of 16 years with additional options to extend the lease to 65 years. This facility consists of laboratory and other research-oriented space and is occupied by University personnel. Initial payments amount to $1.3 million per month with an escalation of 2% per year during the term of the lease agreement. Interest will be accreted to the financing obligation until monthly payments exceed the imputed interest expense, which is anticipated to be in 2064. Since the building improvements constructed by the developer relate to an existing building, for which the University is the accounting owner, the University determined that it controlled the facility prior to the lease commencement. Therefore, the University includes an asset reported at cost within property, plant, and equipment, net and the outstanding financing obligation on the Consolidated Balance Sheets.

NOTE 11: RETIREMENT OBLIGATIONS

Contributory Plan
The University's contributory plan provides for participant directed investment in certain investments managed by the Teachers Insurance and Annuity Association (TIAA) and in certain investment funds of the Vanguard Group. The plan requires three years of service for vesting of the University contribution. Employees hired before January 1, 1995 were immediately vested. University contributions to this plan in 2026 and 2025 were $117.3 million and $113.4 million, respectively.

Pension Plan
The noncontributory plan is a defined-benefit pension plan that covers employees who do not participate in the contributory plan. The plan was amended to freeze new entrants effective November 3, 2015. The plan provides for vesting after five years with pension benefits accruing at 2.1% of base salary or the Social Security wage base, whichever is lower. Pension benefits are payable upon normal retirement at age 65 or early retirement at age 55, in accordance with the conditions and pension eligibility criteria described in the plan. There were no University contributions to this plan in 2026 and 2025, respectively.

Postretirement Plan
The University also provides postretirement medical and life insurance benefits to eligible employees and their spouses upon retirement through a contributory benefit plan.

Though funding is not required, the University has set aside funds within a Board designated endowment to fund its postretirement liability, which is managed within the University's pooled endowment investments (see Notes 5 and 13). The fair value of this fund at June 30, 2026 and 2025 was $785.2 million and $713.0 million, respectively, and is included in endowment investments on the Consolidated Balance Sheets.

Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the federal government provides a subsidy to employers equal to 28% of the employer's qualifying prescription drug costs for retirees if the plan offered by the employer is at least actuarially equivalent to Medicare Part D. The University is qualified for and receives the subsidy via a reduction in premiums charged by its provider.

The University uses a measurement date of June 30 for plan assets and the benefit obligations. Information related to the benefit obligation, assets, and funded status of the pension plan and the postretirement benefit plan as of and for the years ended June 30, 2026 and 2025 is summarized in the table below:

	Pension Plan		Postretirement Plan	
	2026	2025	2026	2025
	(in thousands of dollars)			
Service cost	$ 3,086	$ 3,417	$ 18,049	$ 17,491
Other components of net periodic benefit cost:				
Interest cost	$ 11,832	$ 11,163	$ 28,380	$ 26,479
Expected return on plan assets	(16,479)	(14,778)	-	-
Actuarial gain	(1,366)	-	(2,665)	(3,192)
Total	$ (6,013)	$ (3,615)	$ 25,715	$ 23,287
Funded status:				
Benefit obligation at beginning of year	$ 216,805	$ 210,845	$ 511,107	$ 485,203
Service cost	3,086	3,417	18,049	17,491
Interest cost	11,832	11,163	28,380	26,479
Actuarial loss (gain)	612	(4,349)	(9,225)	4,761
Benefits paid	(4,600)	(4,271)	(24,389)	(22,827)
Benefit obligation at end of year	$ 227,735	$ 216,805	$ 523,922	$ 511,107
Fair value of plan assets at beginning of year	$ 266,332	$ 238,859		
Actual return on plan assets	32,767	31,744		
Actual plan contributions	-	-		
Benefits paid	(4,600)	(4,271)		
Fair value of plan assets at end of year	$ 294,499	$ 266,332		
Funded status – Consolidated Balance Sheets:				
Pension asset	$ 66,764	$ 49,527		
Postretirement obligations			$ 523,922	$ 511,107
Accumulated benefit obligation	$ 221,704	$ 210,417		

The 2026 actuarial loss on the benefit obligation for the pension plan is due to a loss from plan experience, partially offset by an increase in the discount rate. The 2025 actuarial gain on the benefit obligation is due to an increase in the discount rate, partially offset by a loss from plan experience.

The 2026 actuarial gain on the benefit obligation for the postretirement plan is due to an increase in the discount rate, partially offset by losses from plan experience and an increase in medical trend rates. The 2025 actuarial loss on the benefit obligation is due to losses from plan experience and an increase in medical trend rates, partially offset by an increase in the discount rate.

	Pension Plan		Postretirement Plan	
	2026	2025	2026	2025
Weighted-average assumptions used to determine the benefit obligation (liability) at June 30:				
Discount rate	5.85%	5.8%	5.8%	5.7%
Rate of compensation increase	3.0%	3.0%		
Assumed health care trend cost:				
Initial trend – pre-age 65 retirees	-	-	9.5%	8.5%
Initial trend – post-age 65 retirees	-	-	7.0%	6.25%
Ultimate trend	-	-	4.5%	4.5%
Year to reach ultimate	-	-	2036	2035
Mortality rate table	Pri-2012	Pri-2012	Pri.H-2012	Pri.H-2012
Mortality improvement scale	MP-2021	MP-2021	MP-2021	MP-2021
Weighted-average assumptions used to determine the net periodic cost (expense) for the years ended June 30:				
Discount rate	5.8%	5.6%	5.7%	5.6%
Rate of compensation increase	3.0%	3.0%	-	-
Expected long-term return on plan assets	6.5%	6.5%	-	-
Assumed health care trend cost:				
Initial trend – pre-age 65 retirees	-	-	8.5%	7.5%
Initial trend – post-age 65 retirees	-	-	6.25%	6.5%
Ultimate trend	-	-	4.5%	4.5%
Year to reach ultimate	-	-	2035	2034

Estimated future benefit payments:	Pension Plan	Postretirement Plan
	(in thousands of dollars)	
2027	$ 29,351	$ 24,838
2028	$ 10,121	$ 29,001
2029	$ 10,646	$ 30,944
2030	$ 11,131	$ 33,206
2031	$ 11,702	$ 34,959
2032 – 2036	$ 65,983	$ 199,566

Pension Assets
Assets related to the University's pension plan are segregated in a trust managed by a third-party investment manager. The fair value of these assets at June 30, 2026 and 2025 was $294.5 million and $266.3 million, respectively. The fund is invested through common collective trust funds in domestic and international equities and fixed-income securities using the S&P 500 Index as a benchmark for domestic equities, the MSCI EAFE Index for international equities, and the Bloomberg Barclays U.S. Aggregate Index for the fixed-income securities. Common collective trust funds are similar to mutual funds; however, they are generally not registered with the U.S. Securities and Exchange Commission and participation is not open to the public but limited to institutional investors. The specific investment objective is to meet or exceed the investment policy benchmark over the long term. Plan investment valuations are determined using NAV per share available at the measurement date, as published by the fund manager. The plan has no unfunded commitments. Pension plan assets are categorized in Level 1 of the fair value hierarchy.

The long-term investment strategy for pension plan assets is to meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits, including expenses incurred in the administration of the trust and the plan; provide sufficient liquidity to meet benefit and expense payment requirements on a timely basis; and provide a total return that, over the long term, maximizes the ratio of trust assets to liabilities by maximizing investment return, at an appropriate level of risk. The expected return on plan assets is based on a weighted average of the individual expected return for each asset category in the plan's portfolio. Expected return comprises inflation plus the real rate of return for each asset class.

Over the long term, asset allocation is believed to be the single greatest determinant of risk and return. Asset allocation will deviate from the target percentages due to market movement, cash flows, and investment manager performance. Material deviations from the asset allocation target can alter the expected return and risk of the trust. However, frequent rebalancing to the asset allocation targets may result in significant transaction costs, which can impair the trust's ability to meet its investment objective.

The target allocation for both years and the fair value of the University's pension plan assets at June 30, by asset category, were as follows:

	Target Allocation	2026	2025
Asset class:		*(in thousands of dollars)*	
Debt securities	60%	$ 175,494	$ 78,592
Equity securities:			
Stock index and small cap	20%	59,643	94,790
International	20%	58,860	92,481
Cash and cash equivalents	-	502	469
Total pension plan assets		$ 294,499	$ 266,332

NOTE 12: NET ASSETS

Net assets at June 30 consist of the following:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands of dollars)		
Endowments – instruction and academic support	$ -	$ 1,807,861	$ 1,807,861
Endowments – financial aid	-	675,212	675,212
Endowments – other	-	362,317	362,317
Endowment designated for financial aid	2,275,096	-	2,275,096
Endowment designated for postretirement benefits	785,179	-	785,179
Endowments designated for schools and other	1,017,716	-	1,017,716
Total endowment net assets	4,077,991	2,845,390	6,923,381
Net invested in plant and other	1,380,601	72,062	1,452,663
Pledges, loan funds, and other	-	195,856	195,856
Total net assets	$ 5,458,592	$ 3,113,308	$ 8,571,900

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands of dollars)		
Endowments – instruction and academic support	$ -	$ 1,586,166	$ 1,586,166
Endowments – financial aid	-	601,784	601,784
Endowments – other	-	321,299	321,299
Endowment designated for financial aid	2,075,391	-	2,075,391
Endowment designated for postretirement benefits	712,993	-	712,993
Endowments designated for schools and other	891,195	-	891,195
Total endowment net assets	3,679,579	2,509,249	6,188,828
Net invested in plant and other	1,316,247	97,394	1,413,641
Pledges, loan funds, and other	-	190,418	190,418
Total net assets	$ 4,995,826	$ 2,797,061	$ 7,792,887

Endowments with donor restrictions require the original corpus be maintained in perpetuity. The distributions generated by these funds may be either expended or reinvested in the endowment, in accordance with donor restrictions and the endowment contribution and spending policy (see Note 13). Expendable funds are made available for the schools to use for instruction, academic support, scholarships, fellowships, chairs and other academic initiatives in accordance with donor wishes and University policy. The corpus of endowment funds with donor restrictions was $1,102.2 million and $1,025.7 million as of June 30, 2026 and 2025, respectively.

The endowment designated for financial aid was established exclusively to provide financial aid to students. During 2026 and 2025, the endowment distributed $91.8 million and $92.2 million, respectively (see Note 2).

The endowment designated for postretirement benefits was established by the Board of Trustees to support the University's postretirement health and life insurance benefits for employees. In accordance with the University's endowment spending policy, distributions from this endowment totaled $28.3 million in both 2026 and 2025. Postretirement liabilities of $523.9 million and $511.1 million as of June 30, 2026 and 2025, respectively, are reported on the Consolidated Balance Sheets (see Note 11).

Endowments designated for schools and other include both Board of Trustees and management designated endowments. Endowments designated for schools supports scholarships, fellowships, chairs, and other academic initiatives. Endowments designated by management support self-insurance liabilities and other general purposes. Cash not yet invested in the consolidated endowment pool as of June 30 is included in endowments designated for schools and other.

Invested in plant and other primarily includes the value of University property net of debt, and the impact of capital-related and employee retirement obligations. Capital-related obligations includes the change in valuation of the University's interest rate swap agreements and the conditional asset retirement obligation (see Note 8).

Pledges, loan funds, and other includes endowed and non-endowed pledges and student loan funds restricted by donors.

NOTE 13: ENDOWMENT NET ASSETS

The commonwealth has not adopted The Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and, instead, enacted in December 1998 Pennsylvania Act 141 (codified as Title 15 of the Pennsylvania Consolidated Statutes §5548(c) and referred to herein as Title 15) to govern the investment of restricted funds held in trust by Pennsylvania nonprofit corporations. Title 15 permits Pennsylvania nonprofit corporations to elect a total return approach for determining income distributions from restricted funds held in trust, whereby income is defined as a stipulated percentage of the value of the assets held; the stipulated percentage must be determined at least annually and may be no less than 2% nor more than 7%, and the value of the assets held must be averaged over a period of three or more preceding years. A resolution to elect a total return approach for determining endowment income distributions for the University's consolidated investment pool was passed by the University's Board of Trustees on October 21, 1999. The University's endowment income distribution is determined annually using a stipulated percentage of 4.25% of the endowment's three-year average fair value for all endowments except the endowment designated for financial aid, which is distributed at 4.75%, provided that such distribution is not less than the amount distributed in the previous year.

Employing the total return approach, the University records the original value of an endowed contribution as net assets with donor restrictions, along with any endowment income distributions that are reinvested in the endowment. Non-endowed funds that lack third-party donor restrictions but function as endowments (designated endowments) are classified as net assets without donor restrictions. Gains and losses attributable to donor-restricted endowed funds and designated endowment funds are recorded as net assets with donor restrictions and without donor restrictions, respectively.

The change in endowment net assets for the years ended June 30, 2026 and 2025 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands of dollars)		
Endowment net assets – June 30, 2024	$ 3,512,532	$ 2,333,758	$ 5,846,290
Endowment return	326,497	223,612	550,109
Contributions	472	45,931	46,403
Distributions for operations	(145,332)	(94,052)	(239,384)
Net transfers	(14,590)	-	(14,590)
Endowment net assets – June 30, 2025	$ 3,679,579	$ 2,509,249	$ 6,188,828
Endowment return	534,400	359,656	894,056
Contributions	1,763	69,999	71,762
Distributions for operations	(145,081)	(93,514)	(238,595)
Net transfers	7,330	-	7,330
Endowment net assets – June 30, 2026	$ 4,077,991	$ 2,845,390	$ 6,923,381

Approximately 99% of the University's endowment funds are collectively managed in a broadly diversified pool of assets called the consolidated investment pool. The Investment Committee of the Board of Trustees provides general oversight, policy guidance, and performance review of the consolidated investment pool and approves asset allocation and spending policies.

NOTE 14: FUNCTIONAL EXPENSES

The University accounts for expenses according to major classes of program services or functions. Functional expenses for the years ended June 30 consist of the following:

	2026					
	Program Services					
	Academics	**Research and Related**	**Student Services**	**Auxiliary Enterprises**	**Support Services**	**Total**
	(in thousands of dollars)					
Salaries and wages	$ 730,106	$ 515,898	$ 112,434	$ 27,659	$ 112,849	$ 1,498,946
Fringe benefits	216,837	152,617	35,889	9,000	34,707	449,050
Total compensation	946,943	668,515	148,323	36,659	147,556	1,947,996
Supplies	39,664	84,992	13,290	5,008	5,560	148,514
Business and professional	83,959	291,003	83,707	66,160	58,873	583,702
Facilities	59,358	30,838	16,566	27,669	7,511	141,942
Depreciation	109,737	63,232	30,000	29,113	17,896	249,978
Interest	27,548	15,987	7,528	8,608	4,485	64,156
Rent	26,719	17,725	7,636	11,484	6,504	70,068
Other	7,753	6,248	3,922	23,179	(8,263)	32,839
Total operating expenses	1,301,681	1,178,540	310,972	207,880	240,122	3,239,195
Other components of net periodic benefit cost	9,596	6,781	1,478	364	1,483	19,702
Total	$ 1,311,277	$ 1,185,321	$ 312,450	$ 208,244	$ 241,605	$ 3,258,897

	2025					
	Program Services					
	Academics	**Research and Related**	**Student Services**	**Auxiliary Enterprises**	**Support Services**	**Total**
	(in thousands of dollars)					
Salaries and wages	$ 715,938	$ 526,616	$ 113,124	$ 27,258	$ 113,694	$ 1,496,630
Fringe benefits	200,349	149,258	34,356	8,923	33,143	426,029
Total compensation	916,287	675,874	147,480	36,181	146,837	1,922,659
Supplies	37,468	96,107	11,645	4,263	6,270	155,753
Business and professional	80,331	292,120	66,525	57,764	62,163	558,903
Facilities	53,407	31,491	11,267	25,418	8,509	130,092
Depreciation	97,759	60,109	22,558	28,002	17,410	225,838
Interest	25,661	15,913	5,910	7,640	4,567	59,691
Rent	25,137	19,078	7,036	5,395	6,954	63,600
Other	5,121	9,360	2,056	22,198	(11,845)	26,890
Total operating expenses	1,241,171	1,200,052	274,477	186,861	240,865	3,143,426
Other components of net periodic benefit cost	9,411	6,922	1,487	358	1,494	19,672
Total	$ 1,250,582	$ 1,206,974	$ 275,964	$ 187,219	$ 242,359	$ 3,163,098

Costs related to the operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program services and support services based upon salary effort.

Academics includes instructional, academic support, and library costs. Research and related includes sponsored programs related to research and development as well as public service activity such as clinical trials. Student services represents expenses supporting the well-being and development of students outside of direct instruction, including student admissions, registration, counseling and advising, as well as intercollegiate athletics. Auxiliary enterprises consists of costs to provide services to students, faculty, and staff, such as student housing, meal plans, parking, and bookstore activity. Support services consists of institution-wide administrative functions in support of the University's academic, research, and public service mission.

NOTE 15: RELATED PARTIES

The University has relationships and affiliation agreements with separately incorporated entities including UPMC and affiliated hospitals and UPP. These relationships include a common paymaster arrangement for certain University School of Medicine (SOM) faculty; contractual obligations for UPMC and UPP to support certain educational and research functions at the University; and property rental agreements. There is no guarantee these agreements will be renewed in future periods. Transactions with all related entities are conducted in the ordinary course of business and are discussed below.

The following summarizes the significant related party transactions between the University and UPMC for the years ended June 30, 2026 and 2025:

Service Agreement	Location on the Consolidated Financial Statements	2026	2025
		(in thousands of dollars)	
Common paymaster arrangement[a]	Balance sheet	$ 31,638	$ 34,235
Facilities-related services, mail, telephone, printing, and other services[a]	Balance sheet	22,811	22,242
Accounts and notes receivable billed to UPMC		$ 54,449	$ 56,477
UPMC dean's tax, Children's Hospital of Pittsburgh, and other academic support[b]	UPMC academic support	$ 108,228	$ 104,765
UPMC dual faculty support[c]	UPMC academic support	86,555	85,563
UPMC academic affiliation agreement[d]	UPMC academic support	34,500	34,000
UPMC Hillman Cancer Center research support payments[e]	UPMC academic support	20,308	20,308
Rental revenue received from UPMC[f]	UPMC academic support	8,759	8,717
Health Sciences Library System[g]	UPMC academic support	7,447	7,047
Cost sharing for Medical and Health Sciences Foundation[h]	UPMC academic support	5,116	5,175
Revenues from UPMC for academic support		270,913	265,575
UPMC grant revenue[i]	Research grants and contracts	10,960	10,717
UPMC scholarship support[j]	Contributions for operations	1,013	2,738
Total Revenues from UPMC		$ 282,886	$ 279,030
Health insurance coverage for University employees[k]	Fringe benefits	$ 203,451	$ 194,689
Rental expense paid to UPMC[f]	Rent	32,521	32,420
WPIC and UPMC Hillman Cancer Center research services[l]	Primarily compensation	39,065	40,623
Expenses paid to UPMC		$ 275,037	$ 267,732

(a) Certain University SOM faculty and staff provide services through their University appointments to UPMC, UPP, and affiliated hospitals. The University invoices these entities monthly for reimbursement of the associated compensation costs. SOM faculty members, having both a University academic appointment and a separate, external appointment to UPMC or one of its affiliates, participate in the common paymaster arrangement for purposes of determining appropriate FICA taxation. In addition to the reimbursable compensation costs, the University also engages in other transactions with these entities, which include providing certain facilities-related services, telephone, mailing, printing, and various other services, which are reimbursed at cost.

(b) UPMC provides support to the SOM for the school's general academic mission, research, new programs, and faculty recruitment; and to augment operating budgets for certain departments that do not generate sufficient revenues to meet their academic and research costs. Additionally, UPMC provides financial support to the SOM through the Children's Hospital of Pittsburgh of UPMC (CHP), which supports pediatric research programs.

(c) Beginning in fiscal year 2020, UPP and the University entered into a funding arrangement to broadly support the SOM and its missions. The funding arrangement specifies monthly remittances which can be used for operations.

(d) The University signed an agreement with UPMC that included financial commitments designed to further the two entities' commitment to their interrelated teaching, research, clinical care, and community service missions. As part of the agreement, UPMC provides annual funding for the SOM.

(e) UPMC provides support payments to the UPMC Hillman Cancer Center (UHCC) for various subsidies, research initiatives, and general support.

(f) The University is involved in certain rental arrangements in which the University acts as both lessor or lessee with UPMC and its affiliates.

(g) UPMC provides support for their use of the University's Health Sciences Library System.

(h) In 2003, the University and UPMC created the Medical and Health Sciences Foundation (MHSF), a separate 501(c)(3) organization. The MHSF serves as a unified fundraising organization for the University's schools of the health sciences and UPMC. The arrangement calls for the cost of MHSF to be split between the University and UPMC.

(i) A portion of the University's sponsored program activity is provided by UPMC.

(j) The contribution provides support for student scholarships in the nursing program.

(k) UPMC serves as the provider of health insurance coverage to all eligible University employees who enroll in the plan. The University is self-insured for these costs and reimburses UPMC for actual claims cost.

(l) The University has an arrangement with UPMC whereby certain research-related costs incurred by UPMC (primarily staff compensation) in relation to the Western Psychiatric Institute and Clinic (WPIC) and UHCC research awards are charged to such awards via an electronic billing and reimbursed to UPMC each month.

A lease arrangement exists between the University and the commonwealth for WPIC. Since 1949, the University has managed WPIC under an agreement between the University and the commonwealth whereby the University rents for a consideration of $1 per year the land, building, equipment, and other items that are used by WPIC. The agreement provides for continuing terms of 10 years each; however, this agreement is cancelable by either party on one year's written notice. In 1992, the University subleased to UPMC the land, building, equipment, and other items subject to the current lease arrangement between the commonwealth and the University. This sublease arrangement continued to be in effect during 2026 and 2025. Included in property, plant, and equipment is $194.1 million and $191.7 million at June 30, 2026 and 2025, respectively, related to the land, buildings, and equipment used by WPIC. Accumulated depreciation related to these assets totaled $173.3 million and $170.4 million at June 30, 2026 and 2025, respectively.

Members of the Board and University senior management may, from time to time, be associated either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each Board member and University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms that are fair and reasonable to and in the best interest of the University.

NOTE 16: COMMITMENTS AND CONTINGENCIES

At June 30, 2026 and 2025, the University had outstanding contractual commitments of $192.7 million and $353.7 million, respectively, for property, plant, and equipment expenditures.

The University is a defendant in a number of legal actions seeking damages and other relief from the University. While the final outcome of each action cannot be determined at this time, legal counsel and University management are of the opinion that the liability, if any, in these legal actions will not have a material adverse effect on the University's consolidated financial statements.

Revenue received from federal research grants and contracts is significant to the University's overall operations. Substantially all federal sponsored research grants and contracts, including indirect cost rate agreements, are subject to financial and compliance reviews and audits. Funds received through federal sources are subject to audit each year in accordance with the Office of Management and Budget's Uniform Guidance. In management's opinion, the likelihood of a material adverse outcome on the University's financial position from those reviews and audits is remote.

At June 30, 2026, the University estimates total executed contracts for sponsored research activities not yet undertaken and without advance payments received entail commitments for future revenues and corresponding expenses that approximate the total for sponsored research grants and contracts recognized in 2026. These outstanding contracts have substantially the same terms and conditions as prevailed in 2026 and recent prior years.

There is no assurance that future sponsored research awards will continue to be awarded at current levels or that corresponding contract terms for federally sponsored research will remain consistent with historical practices. Commonwealth funding and federally sponsored research and grants are conditional and subject to the availability of funds, including appropriations.

Through federal legislation, executive orders, and other actions, U.S. colleges and universities are subjected to numerous federal policy and regulatory changes affecting federally funded research and other programmatic and compliance activities. While management continues to closely monitor these actions, the University is not aware of any loss of funding or pending or threatened investigations that would have a material impact on the consolidated financial statements.

As part of ongoing operations, the University enters into utility contracts to secure electric and natural gas rates. These contracts are with various utility suppliers and some of the contracts cover multiple years. The University monitors the energy markets on an ongoing basis and will make commitments on new rates if deemed in the best interest of the University.

The University conducts a review of contracts and agreements that may contain guarantees, including loan guarantees such as standby letters of credit and indemnifications. In certain contracts, the University agrees to indemnify a third-party service provider under certain circumstances. Pursuant to its bylaws, the University provides indemnification to directors, officers, and, in some cases, employees and agents against certain liabilities incurred as a result of service provided on behalf of or at the request of the University. The terms of indemnity vary from agreement to agreement, and the amount of indemnification, if any, cannot be reasonably determined.

NOTE 17: SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 19, 2026, the date on which the consolidated financial statements were issued and determined there were no subsequent events requiring additional disclosure or adjustment to the consolidated financial statements.

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The consolidated financial statements have been reviewed and approved by the University's Audit, Risk, and Compliance Committee. The Audit, Risk, and Compliance Committee is comprised of outside directors having requisite financial expertise and meets regularly with University management and both internal and external auditors to review internal accounting controls, audit issues, and financial reporting matters. The Committee meets with the external auditors in private sessions and is also responsible for approving the independent auditing firm retained each year. Nonvoting representatives on the Committee include members of the University's administration as well as student, faculty, and staff representatives.