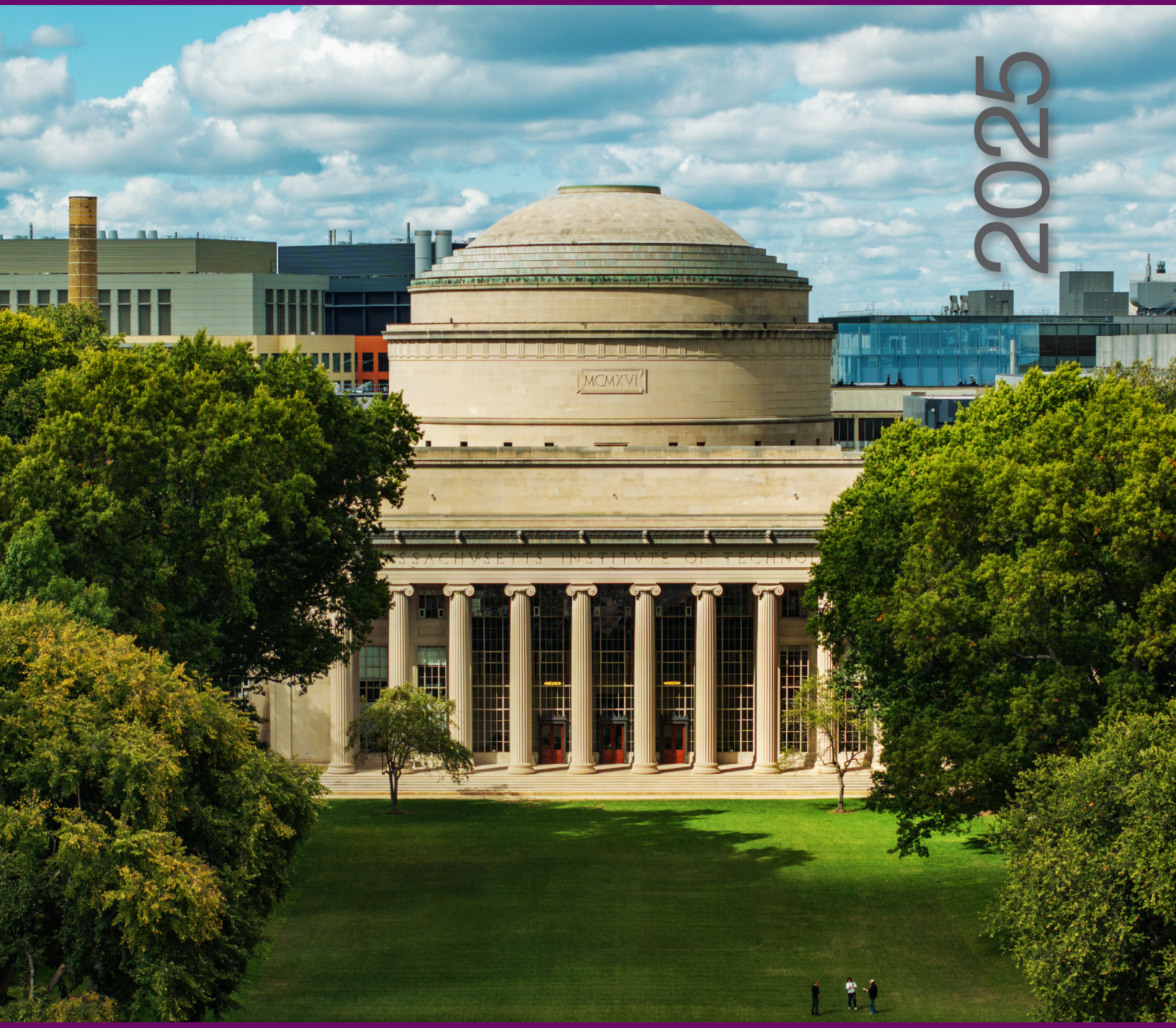

Report of the Treasurer

For the year ended
June 30, 2025

Massachusetts Institute of Technology

Report of the Treasurer

for the year ended June 30, 2025

Massachusetts Institute of Technology

The MIT Corporation
2024-2025
As of June 30, 2025

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** Member of the Executive Committee*

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To the Members of the Corporation

The Institute generated strong financial performance in fiscal 2025, though emerging fiscal burdens are a source of challenge. We achieved net results of $425.9 million, and our pooled investments yielded a return of 14.8 percent as measured using valuations received within one month of fiscal year-end. Our net assets of $37,675.7 million at fiscal year close were 12.3 percent higher than last year's.

MIT experienced 6.0 percent growth in operating revenues and 7.0 percent growth in operating expenses (including depreciation and interest). Excluding reimbursements for COVID-era expenses received in fiscal 2024, these trends were closely aligned. Philanthropy was a significant contributor to strong growth in revenue. Total philanthropic contributions – including gifts for current use and in support of our endowment – were $677.9 million in fiscal 2025, representing an increase of $79.2 million from fiscal 2024. Expense growth reflected elevated health care cost trends affecting businesses and consumers more broadly and the impact of the Institute's multi-year program to renew and improve its classrooms, laboratories, and student residences.

Strong endowment performance, deployed responsibly, supports our commitments to innovative research, transformative education, and generous student aid. I am pleased to report the Institute made significant progress in these areas throughout fiscal 2025.

The MIT Health and Life Sciences Collaborative (MIT HEALS) is accelerating innovation in human health through cross-disciplinary ventures such as the MIT-MGB Seed Program, launched in June, which brings together researchers from MIT and Mass General Brigham to develop next-generation diagnostics, therapies, and digital tools.

In February, the MIT Generative AI Impact Consortium (MGAIC) invited researchers to submit proposals for high-impact uses for artificial intelligence (AI). Nearly 250 faculty members from all five schools and the college took part. At a kickoff event last spring, funding recipients presented on topics that highlighted positive societal impacts of generative AI, such as how it can be used to decrease literacy disparities in children.

The MIT Initiative for New Manufacturing (INM), announced in May, aims to transform the U.S. manufacturing base through new technology, higher productivity, and job creation. Its industry members are funding seed projects proposed by MIT researchers, just as our Climate Project is doing to catalyze research related to the state of climate and the planet.

All of these efforts are rooted in the extraordinary talents of MIT's faculty. Over the course of the past year, several faculty members received accolades for achievement and leadership in their fields. MIT economists Daron Acemoglu and Simon Johnson PhD '89 shared the Nobel Prize for making a positive impact in the world through their work on the relationship between economic growth and political institutions. And MIT faculty members were awarded the nation's highest honors for scientists and innovators: Angela Belcher and Emery Brown received the National Medal of Science, and Paula T. Hammond '84, PhD '93 and Feng Zhang received the National Medal of Technology and Innovation.

MIT students are thriving as well. For the fifth consecutive year, the Institute swept all five top spots in the prestigious William Lowell Putnam Mathematical Competition. Three MIT students and one alumna were selected as 2025 Rhodes Scholars and are beginning fully funded postgraduate studies at Oxford University this fall, and the women's cross-country team made history by winning a national championship for the first time.

SUMMARY OF KEY FINANCIAL HIGHLIGHTS (10-YEAR TREND)

(in millions of dollars)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	3,439	3,566	3,641	3,932	3,931	3,945	4,265	4,655	5,071	5,373
Expenses*	3,319	3,430	3,536	3,711	3,744	3,729	3,993	4,338	4,586	4,947
Net Results	120	136	105	221	187	216	272	317	485	426
Net Assets	16,929	19,125	21,517	22,769	24,217	36,446	33,231	32,183	33,551	37,676
Endowment (excludes pledges)	13,182	14,832	16,400	17,444	18,382	27,394	24,601	23,453	24,573	27,366
Net Borrowings	2,892	3,288	3,259	3,168	4,194	3,929	4,657	4,484	4,430	5,160

*Expenses include all components of net periodic benefit costs.

As part of our commitment to making MIT's transformative educational experience available to the most talented students, whatever their financial circumstances, we have made a significant enhancement to our financial aid policy. Beginning this fall, undergraduates with family incomes below $200,000 – which is 80 percent of American families – attend MIT tuition-free. Families with incomes below $100,000 – nearly half of American families – pay nothing at all for their students' MIT undergraduate educations. To start fiscal 2025, we opened the new Graduate Junction residence on the west part of our campus for our graduate students. And as I write this letter to close fiscal 2025, we are reopening the "parallels," a renewed student residence on our East Campus that mixes new features with a respect for community traditions.

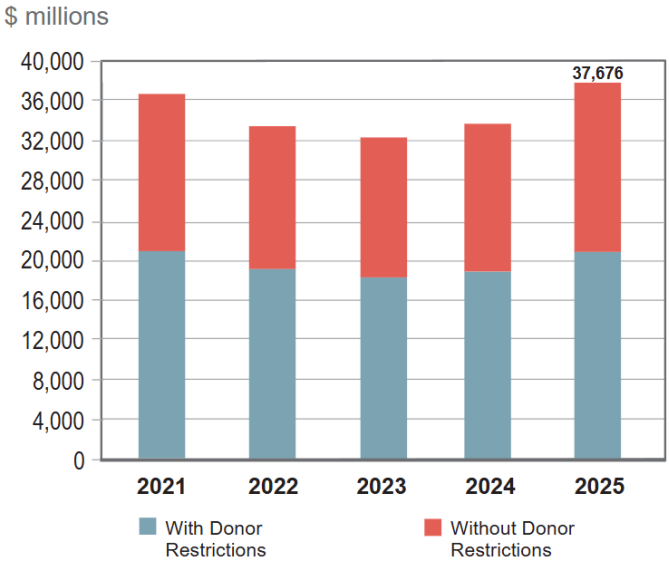
While I am always inspired to be able to highlight the talents of our community and our progress in enabling their contributions, I do so this year with accompanying caution and concern. In July, the tax rate for the so-called "endowment tax" – which diverts investment returns on gifts from supporting cutting-edge research and the costs of education – was increased by nearly a factor of six for MIT starting in fiscal 2027. In parallel, there have been efforts to ask us to continue the work of research and exploration on causes important to our nation without adequate funding for the laboratories, equipment, computing, and staff that are indispensable to these endeavors. These developments, as well as other policy and funding changes actively under consideration in Washington, D.C., hinder our efforts to advance national security, energy production, and the beneficial use of artificial intelligence; curtail the job creation and other positive, nationwide impacts of our educational and research activities; and endanger our generous financial aid to students and families. We are considering how best to respond to the substantial increase in the endowment tax and will continue advocating to maintain our decades-long partnership with the federal government to advance the nation's interests through scientific discovery.

The following sections provide additional details regarding MIT's fiscal 2025 financial statements: Consolidated Statements of Financial Position, Consolidated Statement of Activities, and Consolidated Statements of Cash Flows. Net results, as presented in MIT's Consolidated Statement of Activities, is the measure by which the Institute manages its annual budget and is used in financial reports presented to MIT's leadership, including the Executive Committee and the Corporation. It is a comprehensive measure of MIT's annual financial performance, including operating activity and all components of our annual retirement benefit costs that serve as a basis for cost recovery.

Consolidated Statements of Financial Position

The discussion in this section highlights key elements of MIT's financial position: net assets; investments; land, buildings, and equipment; postretirement benefit assets and liabilities; and borrowings.

Net Assets



Total net assets increased to $37,675.7 million, or 12.3 percent, from fiscal 2024. Net assets are presented in two distinct categories to recognize the significant ways universities differ from profit-making organizations. The two categories reflect the nature of the restrictions placed on gifts by donors.

In fiscal 2025, net assets with donor restrictions increased $1,978.1 million, or 10.5 percent, to $20,736.1 million. The increase was primarily due to a positive net return on total donor-endowed pooled investments and new donor-endowed gifts and pledges. Net assets without donor restrictions increased $2,146.7 million, or 14.5 percent, to $16,939.6 million. The increase was due to positive net returns on quasi-endowed and non-endowed investments, an increase in the funded status of both postretirement benefit plans, and positive net results. In each case, increases were offset by distributions of investment gains and income to support operations.

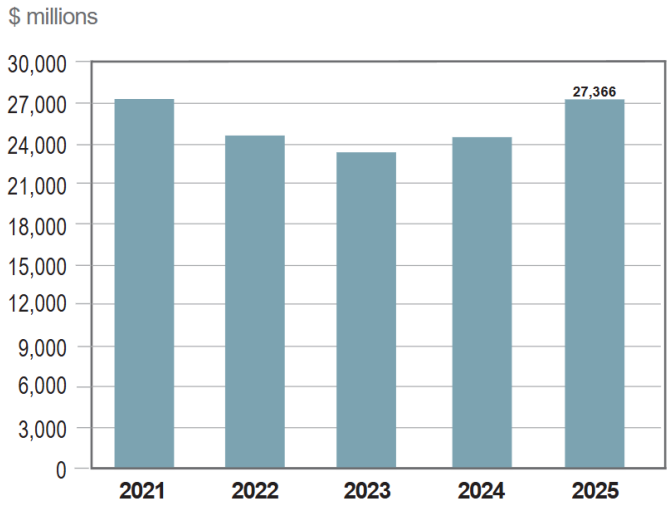
Investments

Investments at fair value were $35,790.3 million as of fiscal year-end 2025, an increase of $4,038.5 million, or 12.7 percent. The consolidated financial statements include both realized and unrealized gains and losses on investments, as well as dividends and interest income, all net of investment expenses. These amounts yielded a net return of $4,298.9 million in fiscal 2025 and $2,155.7 million in fiscal 2024. The increase in the value of investments in fiscal 2025 was principally driven by net gains on pooled investments.

MIT's investment policy is based on the primary goal of generating high real rates of return without exceptional volatility. To reduce volatility, the portfolio is broadly diversified. To generate high real rates of return, MIT's investment policy favors equity investments over fixed-income instruments and is heavily weighted toward less efficient markets. MIT primarily invests through external fund managers, allowing the Institute to access the best investment talent globally. By identifying a wide variety of top-tier investment managers with specific competencies, MIT can construct a broadly diversified portfolio while accessing deep sector expertise. Decision authority for the selection of managers, direct investments, and asset allocation resides with the MIT Investment Management Company (MITIMCo). The Board of Directors of MITIMCo holds four regularly scheduled meetings during the fiscal year in which investment policy, performance, and asset allocation are reviewed.

MIT's primary investment pool is known as Pool A. Pooled investment income and a portion of gains are distributed for spending to support operations in a manner that preserves the long-term purchasing power of the endowment and other pooled investments. Funds invested in Pool A receive distributions based on relative ownership, which is valued monthly. MIT also has separate non-pooled investments from which investment income supports operations. In fiscal 2025, Pool A produced a return of 14.8 percent as measured using valuations received within one month of fiscal year-end.

Endowment (without pledges)



Endowment assets are the largest component of both total and pooled investments. The market value of investments in endowment funds, excluding pledges for endowed purposes, totaled $27,366.2 million as of fiscal year-end 2025, an increase of 11.4 percent compared to a total of $24,572.7 million last year. The increase was driven by a positive net return on pooled endowment investments and new donor-endowed gifts, partially offset by the distribution of pooled endowment gains and income to support current-year operations.

Land, Buildings, and Equipment

Land, buildings, and equipment had a net book value of $5,638.3 million as of fiscal year-end 2025, an increase of $212.9 million, or 3.9 percent. In fiscal year 2025, the Institute advanced approximately 175 capital projects with a total fiscal-year spend of $370.8 million.

In June, the MIT community gathered to celebrate the naming of the L. Rafael Reif Innovation Corridor in honor of the Institute's 17th president. Formerly called the "Outfinite," its location in the heart of the MIT campus honors President Reif's transformative impact on and service to our community.

February marked the public opening of the state-of-the-art Edward and Joyce Linde Music Building in MIT's dynamic and evolving West Campus area. The new home of our thriving conservatory-level music program, the building features acoustically controlled rehearsal and performance spaces, a professional recording studio, and music technology laboratories.

The new Graduate Junction student residence, also on West Campus, opened in August 2024, adding 676 new graduate housing beds. Graduate Junction incorporates environmentally friendly features, including energy-efficient heating and cooling systems, green roofs and gardens, sustainable materials, and a solar array to power five-to-ten percent of the building's electric needs.

This approach is representative of the work under way across campus to reduce our carbon footprint – making MIT's buildings more energy efficient, transitioning our heating infrastructure to a more efficient hot water system, adding solar panels to our roofs, and honing strategies for major changes to our district energy system in the next decade. Beyond MIT's campus, and as part of a critical effort to create a greener power grid and reach our 2026 net-zero carbon emissions goal, we led a consortium that spurred the development of new large-scale renewable energy facilities in Texas and North Dakota, which are part of two of the most carbon-intensive electrical grid regions in the United States. These projects reduce negative health impacts, generate local tax revenue, and create jobs.

MIT continues to prioritize addressing deferred maintenance as an integral part of the overall capital program. We track the condition of our facilities through a measure called the Facilities Condition Index (FCI) – the ratio of our deferred maintenance to replacement value for MIT buildings in Cambridge. Our FCI decreased from 0.22 in fiscal 2015 to 0.15 in fiscal 2023, and we have maintained an FCI of 0.15 through the end of fiscal 2025. This is in line with MIT's goals for keeping buildings in good condition while maintaining operational continuity to support the Institute's mission.

Postretirement Benefit Assets and Liabilities

The defined benefit pension plan provides a basic retirement benefit to eligible MIT employees upon their retirement as monthly income for the rest of their lives. This plan had assets of $6,239.4 million as of fiscal year-end 2025, an increase of $690.4 million from fiscal year-end 2024. The plan's projected liabilities were $5,115.9 million as of fiscal year-end 2025, up $135.1 million from a year earlier. This resulted in a $555.3 million increase in net asset position, which totaled $1,123.4 million as of fiscal year-end 2025.

MIT also maintains a retiree welfare benefit plan that covers retiree expenses associated with medical and life insurance benefits. This plan had assets of $1,105.3 million as of fiscal year-end 2025, an increase of $119.8 million from fiscal year-end 2024. The plan's projected liabilities were $603.2 million as of fiscal year-end 2025, down $84.9 million from a year earlier. This resulted in a $204.7 million increase in net asset position, which totaled $502.1 million as of fiscal year-end 2025.

The increases in asset values of both plans in 2025 were primarily a function of positive investment returns offset by payments made to beneficiaries. The increase in projected liabilities for the defined benefit pension plan was driven by ongoing benefit accruals partly offset by a 9-basis point increase in the discount rate. The decrease in projected liabilities for the retiree welfare plan was driven by higher projected prescription drug cost reimbursements from the federal government under the Employer Group Waiver Plan (EGWP) partly offset by a 3-basis point decrease in the discount rate. The discount rates for each plan were derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for the plan's benefit obligations. The discount rates in both years reflected the prevailing interest rate environments at the dates of measurement (June 30, 2025, and June 30, 2024).

On a generally accepted accounting principles (GAAP) basis at fiscal year-end 2025, the defined benefit pension plan had a funding level of 122.0 percent, up from 111.4 percent one year earlier. The retiree welfare benefit plan had a funding level of 183.2 percent at fiscal year-end 2025, an increase from 143.2 percent one year earlier. There were no designated contributions to either plan during fiscal 2025. MITIMCo manages the investment of assets in both plans.

MIT also offers a 401(k) plan to its employees, which is not reflected in the Consolidated Statements of Financial Position. Assets in this plan are invested at the direction of participants in an array of investment funds. The plan's investment market value was $8,219.4 million as of fiscal year-end.

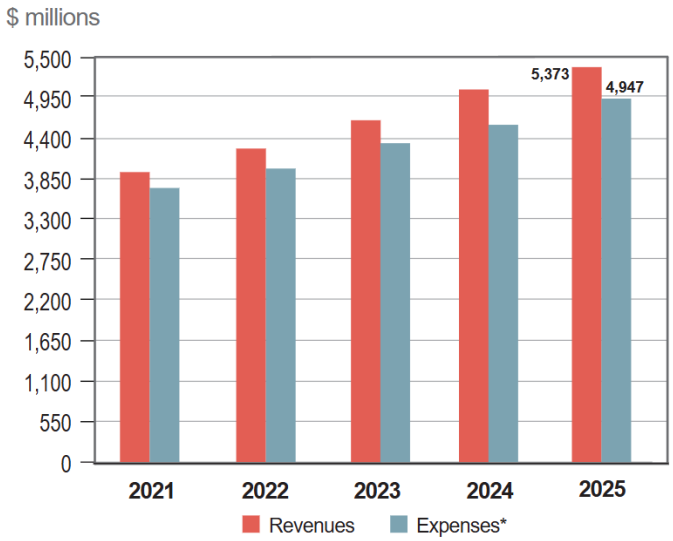
Borrowings

In fiscal 2025, borrowings increased $729.7 million, or 16.5 percent, to $5,160.1 million. The increase was primarily due to the issuance of the new taxable Series Q bonds of $750.0 million. The bond issuance will provide MIT flexibility to advance the Institute's mission in a wide range of conditions.

MIT's financial strength is reviewed periodically by both Moody's Ratings and S&P Global Ratings. As of the close of fiscal 2025, the Institute maintained "Aaa" and "AAA" ratings, respectively.

Consolidated Statement of Activities

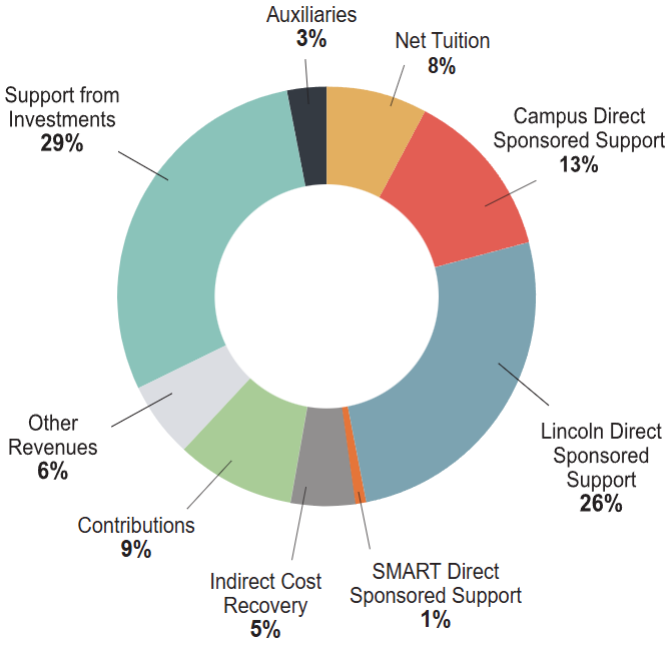
Revenues and Expenses



** Expenses include all components of net periodic benefit costs.*

MIT ended fiscal 2025 with net results of $425.9 million. This is $58.7 million, or 12.1 percent, less than fiscal 2024. Operating revenues increased $302.0 million, or 6.0 percent, to $5,372.8 million, while operating expenses together with all other components of our net periodic retirement benefit costs increased $360.7 million, or 7.9 percent, to $4,946.9 million. Year-over-year comparisons of revenues and expenses are presented in the graph above.

Revenues



MIT's operating revenues include tuition, sponsored support, contributions (expendable gifts and pledge payments), other revenue, support from investments, and auxiliary revenue.

Tuition revenue for graduate and undergraduate programs, net of financial aid, combined with tuition revenue for non-degree programs, increased $8.1 million, or 1.9 percent, to $436.1 million. Undergraduate net degree tuition increased $3.9 million, or 3.5 percent, and graduate net degree tuition increased $6.6 million, or 3.3 percent. The combined increase in net degree tuition was driven by increases in published tuition rates, partially offset by corresponding increases in financial aid along with a change in aid policy to make an MIT education more affordable for undergraduate students with significant need. Non-degree program revenue decreased $2.5 million, or 2.1 percent, driven by decreased course offerings and enrollment.

Sponsored support increased $96.3 million, or 4.1 percent, to $2,421.2 million in fiscal 2025. Direct sponsored revenues increased $112.4 million, and indirect revenues decreased $16.1 million. Campus direct sponsored revenue increased $6.7 million, or 0.9 percent. Growth would have been higher were it not for one-time reimbursements for COVID-related expenses received in fiscal 2024 for costs incurred from fiscal 2020 through 2022. The increase was primarily driven by expenses incurred through subawards. Lincoln Laboratory direct sponsored revenue increased $102.7 million, or 7.9 percent, due to increases in compensation, expenses incurred through subawards, equipment, and other expenditures for supplies and services. Direct revenue associated with the Singapore-MIT Alliance for Research and Technology (SMART) increased $3.1 million, or 13.1 percent, due to increases in compensation, expenses incurred through subawards, and expenditures for supplies and services.

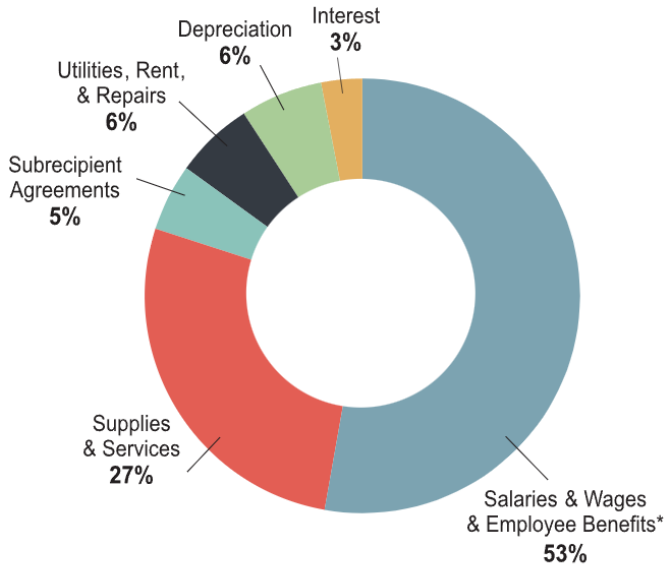
Indirect cost recovery decreased $16.1 million, or 5.6 percent, to $273.0 million primarily due to lower recoverable costs and recognition that MIT will not fully recover amounts underbilled to sponsors in prior years, both related to research performed off campus (primarily at Lincoln Laboratory).

Federal sponsored activity comprised 63.9 percent of total campus sponsored volume in fiscal 2025, while non-federal activity accounted for 36.1 percent.

Support from investments increased $84.2 million, or 5.7 percent, to $1,565.4 million due to an approved increase in distribution from pooled investments, offset by less income earned from non-pooled investments due to asset reallocations and lower interest rates earned on investments held in a highly liquid bond fund. The effective spending rate on pooled investment funds was 5.0 percent to start fiscal 2025, or 4.9 percent on a three-year-average basis.

Operating contributions, which include gifts and bequests for current use and expendable pledge payments, increased $72.7 million, or 18.2 percent, to $473.0 million.

Expenses



** Employee Benefits expenses include all components of net periodic benefit costs.*

MIT's operating expenses, combined with the non-service-cost components of net periodic benefit costs, increased $360.7 million, or 7.9 percent. These expenses include salaries and wages; employee benefits; supplies and services; subrecipient agreements; utilities, rent, and repairs; depreciation; and interest.

Overall Institute salary and wage expenses increased $97.7 million, or 4.9 percent, to $2,090.9 million. Campus salary and wage expenses increased 4.3 percent as average annualized salaries and wages grew by 3.2 percent, and the number of full-time-equivalent employees increased 1.1 percent. Lincoln Laboratory salary and wage expenses increased 6.3 percent as average annualized salaries increased 3.0 percent, and the number of full-time-equivalent employees increased 3.4 percent. Employee benefit expenses, together with all components of net periodic benefit costs for retirement plans included in our net results calculation, increased $95.4 million, or 21.7 percent, to $535.7 million, driven by increases in total net periodic benefit costs of the defined benefit pension plan, net medical and dental costs, payroll taxes, and other benefit costs related to wages.

During fiscal 2025, expenses for supplies and services increased $68.8 million, or 5.3 percent, to $1,359.7 million, driven by graduate student fellowships stipend costs, sponsored tuition and undergraduate aid, minor equipment purchases, and dining operating costs. Subrecipient agreement costs increased $44.6 million, or 24.2 percent, to $228.5 million, driven by an increase in expenses incurred through subawards at Lincoln Laboratory and in the School of Engineering.

Utilities, rent, and repairs expenses increased $23.8 million, or 9.6 percent, to $272.1 million, largely due to an accounting change for an existing lease. Depreciation expenses increased $23.1 million, or 8.7 percent, to $289.6 million, with the completion of several capital projects, such as the Graduate Junction residence. Interest expenses increased $7.4 million, or 4.5 percent, to $170.5 million, primarily due to new interest expense associated with the taxable Series Q bond issuance in fiscal 2025.

Other Revenues, Gains, and Losses Summary

Other revenues, gains, and losses drove a $3,698.9 million increase in net assets in fiscal 2025. Other revenues, gains, and losses in fiscal 2025 included positive net returns on total investments, certain forms of contributions revenue, changes in retirement plan obligations, and other changes, offset by investment spending distribution to support operations. In fiscal 2025, net return on investments less spending distribution to support operations increased net assets by $2,733.5 million. Contributions revenue in other revenues, gains, and losses, which includes net current-year pledge revenue and endowed gifts and bequests, increased net assets by $204.9 million, while changes in the net asset positions of the retirement plans, outside of net periodic benefit income recognized in net results, increased net assets by $737.5 million.

Contributions

Contributions to MIT provide support for scholarships, fellowships, professorships, research, educational programming, student life activities, the construction and renovation of buildings, and other expenses. Contributions (including both current use and endowed gifts and pledges) for fiscal 2025 totaled $677.9 million, an increase of $79.2 million, or 13.2 percent. Of new gifts and pledges in fiscal 2025, contributions from individuals represented 37.4 percent, contributions from foundations represented 46.0 percent, and contributions from corporations and other sources represented 16.6 percent. New gifts and pledges for research and education were the largest categories of contributions for fiscal 2025.

Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows divide cash inflows and outflows into three categories: operating, investing, and financing. Although this division is a requirement of GAAP, when reviewing the cash flow statement of a nonprofit organization such as MIT, it is important to also consider that investing activities as presented in the cash flows fund a large portion of operating activity through distributions from pooled investments. In fiscal 2025, support from investments comprised 39.7 percent of overall campus operating revenue.

Net operating activities – which result from a total increase in net assets adjusted for non-cash items in the Consolidated Statement of Activities (depreciation, net unrealized gain on investments, changes in the retirement plans' net assets, etc.), changes in certain non-cash assets and liabilities, and other reclassifications – provided $28.0 million of cash and restricted cash in fiscal 2025. Net investing activities consumed $963.1 million in cash and were driven by purchases of investments and capital assets. Financing activities provided $973.0 million in cash, driven by the issuance of the Series Q bonds as well as contributions to the endowment.

MIT's full consolidated financial statements and notes are on the pages that follow, including the Consolidated Statements of Financial Position, the Consolidated Statement of Activities, and the Consolidated Statements of Cash Flows.

Conclusion

We can do world-changing work because of the extraordinary talent of the MIT community. I am grateful to faculty, students, and staff for their excellence and resilience, and to our alumni and friends for their unwavering dedication to supporting the Institute's mission of research, education, and service. I also want to thank former Provost Cynthia Barnhart, who stepped down from that role this summer, for her leadership and partnership. As Provost and previously as Chancellor, she has been instrumental to our efforts to expand the Institute's positive impact and create a campus with a "heart" as large as the power of the MIT "mind and hand."

Respectfully submitted,

Glen Shor
Executive Vice President and Treasurer
October 10, 2025

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Report of Independent Auditors

To the Members of the Corporation of the Massachusetts Institute of Technology

Opinion

We have audited the accompanying consolidated financial statements of the Massachusetts Institute of Technology and its subsidiaries (the "Institute"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities for the year ended June 30, 2025, and of cash flows for the years ended 2025 and 2024, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2025 and 2024, and the changes in its net assets for the year ended June 30, 2025, and its cash flows for the years ended June 30, 2025 and 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 11, 2024, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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 Institute's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the contents of the Report of the Treasurer but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Boston, Massachusetts
October 10, 2025

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as of June 30, 2025, and 2024

(in thousands of dollars)	2025	2024
Assets		
Cash	$ 477,862	$ 410,373
Accounts receivable, net	345,963	318,428
Pledges receivable, net, at fair value	631,729	626,904
Contracts in progress, principally US government	139,120	123,860
Deferred charges and other assets	276,938	261,534
Investments, at fair value	35,790,340	31,751,808
Operating leases - right-of-use assets	417,114	198,591
Net asset position - defined benefit pension plan	1,123,430	568,126
Net asset position - retiree welfare benefit plan	502,112	297,423
Land, buildings, and equipment (at cost of $8,484,714 for June 2025; $8,089,320 for June 2024), net of accumulated depreciation	5,638,334	5,425,451
Total assets	**$ 45,342,942**	**$ 39,982,498**
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accruals, and other liabilities	$ 698,604	$ 673,726
Deferred revenue and other credits	256,314	169,548
Advance payments	556,984	528,226
Operating lease liabilities	430,462	208,729
Liabilities associated with investments	564,787	420,996
Borrowings, net of unamortized issuance costs	5,160,054	4,430,396
Total liabilities	**$ 7,667,205**	**$ 6,431,621**
Net Assets:		
Without donor restrictions	$ 16,939,618	$ 14,792,904
With donor restrictions	20,736,119	18,757,973
Total net assets	**$ 37,675,737**	**$ 33,550,877**
Total liabilities and net assets	**$ 45,342,942**	**$ 39,982,498**

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2025
(with summarized financial information for the year ended June 30, 2024)

(in thousands of dollars)	2025 Without Donor Restrictions	2025 With Donor Restrictions	Total 2025	Total 2024
Operating Revenues				
Tuition and similar revenues, exclusive of financial aid of $502,131 in 2025 and $488,551 in 2024	$ 436,108	$ -	$ 436,108	$ 427,993
Sponsored support:				
Campus direct	713,631	-	713,631	706,963
Lincoln direct	1,407,807	-	1,407,807	1,305,146
SMART direct	26,669	-	26,669	23,588
Indirect cost recovery	273,044	-	273,044	289,172
Total sponsored support	2,421,151	-	2,421,151	2,324,869
Contributions	468,853	4,165	473,018	400,299
Other revenue	296,067	-	296,067	274,978
Support from investments:				
Endowment	1,230,255	-	1,230,255	1,166,597
Other investments	335,136	-	335,136	314,576
Total support from investments	1,565,391	-	1,565,391	1,481,173
Auxiliary enterprises	181,088	-	181,088	161,536
Total revenues	$ 5,368,658	$ 4,165	$ 5,372,823	$ 5,070,848
Operating Expenses				
Salaries and wages	$ 2,090,862	$ -	$ 2,090,862	$ 1,993,165
Employee benefits	705,960	-	705,960	636,830
Supplies and services	1,359,662	-	1,359,662	1,290,865
Subrecipient agreements	228,510	-	228,510	183,957
Utilities, rent, and repairs	272,126	-	272,126	248,286
Total expenses before depreciation and interest	4,657,120	-	4,657,120	4,353,103
Results of operations before depreciation and interest	711,538	4,165	715,703	717,745
Depreciation	289,575	-	289,575	266,510
Interest	170,489	-	170,489	163,079
Results of operations	251,474	4,165	255,639	288,156
Net periodic benefit income other than service cost	170,276	-	170,276	196,503
Net results	$ 421,750	$ 4,165	$ 425,915	$ 484,659
Other Revenues, Gains, and Losses				
Contributions	$ -	$ 204,922	$ 204,922	$ 198,441
Net return on investments	1,700,260	2,598,606	4,298,866	2,155,735
Distribution of investment income and gains	(709,444)	(855,947)	(1,565,391)	(1,481,173)
Other changes	12,450	10,616	23,066	89,901
Postretirement benefit plan changes other than net periodic benefit cost	737,482	-	737,482	(79,657)
Net asset reclassifications and transfers	(15,784)	15,784	-	-
Total other revenues, gains, and losses	1,724,964	1,973,981	3,698,945	883,247
Increase in net assets	2,146,714	1,978,146	4,124,860	1,367,906
Net assets at the beginning of the year	14,792,904	18,757,973	33,550,877	32,182,971
Net assets at the end of the year	**$ 16,939,618**	**$ 20,736,119**	**$ 37,675,737**	**$ 33,550,877**

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2025, and 2024

(in thousands of dollars)	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 4,124,860	$ 1,367,906
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Net (gain) loss on investments	(3,546,738)	(1,962,290)
Change in retirement plan assets, net of accrued benefit liability	(759,993)	22,698
Change in allowances for uncollectible receivables	(101,260)	860
Depreciation	289,575	266,510
Net (gain) loss on life income funds and donor advised funds	(24,885)	(20,000)
Non-cash operating lease costs	(218,523)	44,006
Amortization of bond premiums and discounts and other adjustments	(8,353)	(3,711)
Change in operating assets and liabilities:		
Pledges receivable	75,655	(6,692)
Accounts receivable	(8,023)	4,255
Contracts in progress	(15,260)	(19,138)
Deferred charges and other assets	(15,911)	(23,730)
Accounts payable, accruals, and other liabilities, excluding building and equipment accruals	27,942	(32,634)
Liabilities associated with investments	170,396	34,757
Deferred revenue and other credits	52,101	(22,089)
Advance payments	28,758	12,023
Operating lease liability	221,733	(44,164)
Reclassification of donated securities	(2,864)	(26,032)
Reclassification of investment income for restricted purposes	(8,383)	(7,583)
Reclassification of contributions restricted for long-term investment	(252,856)	(207,375)
Net cash and restricted cash provided by (used in) operating activities	27,971	(622,423)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of land, buildings, and equipment	(468,331)	(596,154)
Purchases of investments	(10,034,639)	(4,917,777)
Proceeds from sale of investments	9,538,601	5,805,616
Student notes issued	(3,611)	(3,777)
Collections from student notes	4,879	5,678
Net cash and restricted cash (used in) provided by investing activities	(963,101)	293,586
CASH FLOW FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term investment	252,856	207,375
Payments to beneficiaries of life income funds	(26,605)	(25,191)
Proceeds from sale of donated securities restricted for endowment	2,864	26,032
Investment income for restricted purposes	8,383	7,583
Proceeds from borrowings	750,000	1,200
Repayment of borrowings	(12,995)	(51,455)
Repayments of government advance for student loans	(1,525)	(1,029)
Net cash and restricted cash provided by financing activities	972,978	164,515
Net increase (decrease) in cash and restricted cash	37,848	(164,322)
Cash and restricted cash at the beginning of the period	710,331	874,653
Cash and restricted cash at the end of the period	**$ 748,179**	**$ 710,331**
Supplemental Information on cash and restricted cash:		
Cash on Statements of Financial Position	$ 477,862	$ 410,373
Cash and restricted cash included in Investments (see Note B)	270,021	299,155
Restricted cash included in Other Assets (see Note G)	295	803
Total cash and restricted cash on Cash Flow	**$ 748,179**	**$ 710,331**

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

Notes to Consolidated Financial Statements

A. Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The consolidated financial statements (financial statements) include Massachusetts Institute of Technology (MIT or the Institute) and its wholly owned subsidiaries.

Net assets, revenues, expenses, and gains and losses are classified into two categories based on the existence or absence of donor-imposed restrictions: net assets with donor restrictions and net assets without donor restrictions.

Net assets with donor restrictions include gifts, pledges, trusts, and remainder interests, and income and gains that are either required by donors to be permanently retained or for which restrictions have not yet been met. Such restrictions include purpose restrictions (donors have specified the purpose for which the net assets are to be spent), time restrictions imposed by donors or implied by the nature of the gift (e.g., capital projects, pledges to be paid in the future, life income funds), or by interpretations of law (net gains on donor-endowed gifts, where the gains have not yet been appropriated for spending). Net assets without donor restrictions are all the remaining net assets of MIT.

Donor-restricted gifts and grants (including gifts of long-lived assets) and distributed restricted endowment income (for which the restrictions are met within the same year of gift, grant, or distribution) are reported as revenue without donor restrictions. Amounts for which the restrictions are not met within the same year of gift, grant, or distribution are reclassified to net assets with donor restrictions through the net asset reclassifications and transfers line in the Consolidated Statement of Activities. These amounts are released back to net assets without donor restrictions, through the net asset reclassifications and transfers line, during the years in which the restrictions are met. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets with donor restrictions until the monies are expended and the long-lived assets (e.g., buildings) are put into use, at which point they are reclassified to net assets without donor restrictions, also through the net asset reclassifications and transfers line.

MIT administers its various funds, including endowments, funds functioning as endowments, school or departmental funds, and related accumulated gains, in accordance with the principles of fund accounting. Endowed gifts are recorded in fund accounts, and investment income is distributed to funds annually. Income distributed to funds may be a combination of capital appreciation and yield pursuant to MIT's total return investment and spending policies. Each year, the Executive Committee of the Corporation approves the rates of distribution of investment return to funds from MIT's investment pools. See Note J for further information on income distributed to funds.

MIT's operating revenues include tuition, sponsored support, contributions (expendable gifts and pledge payments), other revenue, support from investments, and auxiliary revenue.

Net results, as presented in MIT's Consolidated Statement of Activities, is the measure to which the Institute manages its annual budget and is used in financial reports presented to MIT's leadership, including the Executive Committee and the Corporation. It is a comprehensive measure of MIT's annual financial performance, including operating activity and the non-service-cost components of net periodic benefit costs or income that serve as a basis for cost recovery.

The Consolidated Statement of Activities also shows results of operations, a measure of ongoing activities, which excludes the impacts of the components of net periodic retirement benefit costs or income other than service costs, and results of operations before depreciation and interest, which is a valuable measure for the Institute as it highlights the impacts of financing and capital development costs that are included in net results.

A. Accounting Policies (continued)

Tax Status

MIT is a nonprofit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, originally recognized in October 1926, with the most recent affirmation letter dated May 2025.

U.S. GAAP requires MIT to evaluate tax positions taken by the Institute to recognize a tax liability (or asset) if the Institute has taken an uncertain tax position that, more likely than not, would not be sustained upon examination by the IRS. MIT has analyzed the tax positions taken and has concluded that as of June 30, 2025, and 2024, there are no significant uncertain positions taken or expected to be taken.

Cash

Certain cash balances, totaling $113.7 million and $73.4 million as of June 30, 2025, and 2024, respectively, are restricted for use under certain sponsored research agreements and government regulations. These amounts are included within cash in the Consolidated Statements of Financial Position.

The Institute had approximately $433.5 million and $367.9 million as of June 30, 2025, and 2024, respectively, of its cash accounts with a single institution. The Institute has not experienced any losses associated with deposits at this institution.

Land, Buildings, and Equipment

Land, buildings, and equipment are shown at cost when purchased, or at fair value as of the date of a gift when received as a gift, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed and put into use. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment, and 6 years for software.

Fully depreciated assets were removed from the consolidated financial statements in the amount of $105.7 million and $107.2 million during 2025 and 2024, respectively. Land, buildings, and equipment as of June 30, 2025, and 2024, are shown in Table 1 below.

TABLE 1. LAND, BUILDINGS, AND EQUIPMENT

(in thousands of dollars)	2025	2024
Land	$ 119,063	$ 119,063
Land improvements	115,389	115,637
Educational buildings	7,086,258	6,562,290
Equipment	628,122	583,741
Software	14,156	21,738
Total	7,962,988	7,402,469
Less: accumulated depreciation	(2,846,380)	(2,663,869)
Construction in progress	503,987	679,604
Software projects in progress	17,739	7,247
Net land, buildings, and equipment	**$ 5,638,334**	**$ 5,425,451**

Depreciation expense was $289.6 million in fiscal 2025 and $266.5 million in fiscal 2024. Interest of $9.8 million and $12.9 million was capitalized during fiscal 2025 and fiscal 2024, respectively, in connection with MIT's construction projects.

A. Accounting Policies (continued)

Tuition and Student Support

Tuition and similar revenues, shown in Table 2 below, include tuition and fees for degree programs as well as tuition and fees for executive and continuing education programs. Tuition revenue is recognized over the period during which the courses are taken.

TABLE 2. TUITION AND SIMILAR REVENUES

(in thousands of dollars)	2025	2024
Undergraduate and graduate programs*	$ 323,414	$ 312,832
Executive and continuing education programs	112,694	115,161
Tuition and similar revenues	**$ 436,108**	**$ 427,993**

* Undergraduate and graduate programs at published rates totaled $825,545 and $801,383 in 2025 and 2024, respectively, and financial aid applied to undergraduate and graduate programs was $502,131 and $488,551 in 2025 and 2024, respectively.

Tuition support shown in Table 3 below is awarded to undergraduate students by MIT based on need. Graduate students are provided with tuition support in connection with research assistance, teaching assistance, and fellowship appointments.

TABLE 3. STUDENT SUPPORT

	2025			2024		
(in thousands of dollars)	Institute Sources	External Sponsors	Total Student Support	Institute Sources	External Sponsors	Total Student Support
Undergraduate tuition support	$ 162,805	$ 20,791	$ 183,596	$ 159,307	$ 16,623	$ 175,930
Graduate tuition support	339,326	59,395	398,721	329,244	57,212	386,456
Fellowship stipends	70,800	18,767	89,567	61,436	19,500	80,936
Student employment	65,321	91,997	157,318	68,481	92,600	161,081
Total	**$ 638,252**	**$ 190,950**	**$ 829,202**	**$ 618,468**	**$ 185,935**	**$ 804,403**

A. Accounting Policies (continued)

Sponsored Support and Advance Payments

Almost all of Lincoln Laboratory and Singapore-MIT Alliance for Research and Technology (SMART) sponsored revenue, as well as a portion of campus sponsored revenue, come from exchange contracts. Sponsored revenue related to exchange contracts is recognized as MIT fulfills the terms of the agreements, which generally span fewer than five years. Almost all of campus sponsored revenue – and a portion of Lincoln Laboratory and SMART sponsored revenue – comes from non-exchange contracts. Sponsored revenue associated with non-exchange contracts is recognized as the qualified expenditures are incurred. Sponsored activities at Lincoln Laboratory (which are contractually authorized by the sponsor but for which costs have not yet been incurred) totaled $843.5 million and $974.8 million as of fiscal 2025 and fiscal 2024, respectively. Sponsored activities on campus (which are contractually authorized by the sponsor but for which costs have not yet been incurred) totaled $1,015.5 million and $1,099.8 million as of fiscal 2025 and fiscal 2024, respectively.

Advance payments are amounts received by MIT from sponsors under the terms of agreements that generally require the exchange of assets, rights, or privileges between MIT and the sponsor. Advance payments are made for activity that will occur in the near future, generally within the next fiscal year.

Indirect sponsored revenue includes the portion of facilities and administrative expenses that is attributed to sponsored activities. MIT has recorded reimbursement of indirect costs relating to sponsored research activities at negotiated fixed billing rates. For non-research activities (such as instruction and other sponsored activity) MIT records reimbursement of indirect costs on federal awards using the de minimis rate allowed by Uniform Guidance, and for non-federal awards using rates that are agreed to with the sponsor.

The revenue generated by the negotiated indirect research rates is adjusted each fiscal year to reflect any variance between the negotiated fixed rates and rates based on actual costs; any adjustment in the rate is charged or credited to net assets without donor restrictions. The actual cost rate is audited by the Defense Contract Audit Agency (DCAA), and a final fixed-rate agreement is signed by the U.S. government and MIT. The variance between the negotiated fixed rate and the final audited rate results in a carryforward (over- or under-recovery). The carryforward is included in the calculation of negotiated fixed billing rates in future years.

Gifts and Pledges (Contributions)

Gifts and pledges (contributions) are recognized when MIT has an unconditional right to receive payment. Gifts of securities are recorded at their fair value at the date of contribution. Donated securities received totaled $83.0 million and $101.3 million in fiscal 2025 and fiscal 2024, respectively. Gifts of equipment received from manufacturers and other donors are put into use and recorded by MIT at fair value. Gifts of equipment totaled $0.1 million in fiscal 2025 and $0.5 million in fiscal 2024. Pledges consist of unconditional promises to contribute to MIT in the future. Pledges are reported at their estimated fair values. Pledges receivable are classified as Level 3 under the valuation hierarchy described in Note B.

Pledges, trusts, and remainder interests are reported at their estimated fair values. MIT does not recognize donated works of art, historical treasures, and similar assets in the financial statements if they are part of a collection. Items that are part of a collection are received for educational purposes, and most are displayed throughout MIT. In general, collections are not disposed of for financial gain or otherwise encumbered in any manner.

Other Revenue and Auxiliary Enterprises

For the revenue streams included in other revenue and auxiliary enterprises, revenue is recognized at the point in time when goods or services are provided and are included in the without donor restrictions net asset category. Other revenue includes patent royalty revenue, membership agreement revenue, medical services revenue, and various other types. Auxiliary enterprises revenue includes room and board revenue, as well as revenue earned by MIT Press, Technology Review, and Endicott House.

A. Accounting Policies (continued)

Life Income Funds

MIT's life income fund agreements with donors consist primarily of irrevocable charitable gift annuities, pooled income funds, and charitable remainder trusts for which MIT serves as trustee. Assets are invested and payments are made to donors and other beneficiaries in accordance with the respective agreements. MIT records the assets that are associated with each life income fund at fair value and records as liabilities the present value of the estimated future payments at current interest rates to be made to the donors and beneficiaries under these agreements. Life income fund assets are included within investments and life income fund liabilities are included within liabilities associated with investments in the Consolidated Statements of Financial Position. A rollforward of liabilities due under life income fund agreements is presented in Table 4 below.

TABLE 4. LIABILITIES DUE UNDER LIFE INCOME FUNDS

(in thousands of dollars)	2025	2024
Balance at the beginning of the year	$ 279,503	$ 265,640
Additions for new gifts	7,621	1,673
Termination and payments to beneficiaries	(24,422)	(23,419)
Net investment and actuarial gain	40,793	35,609
Balance at the end of the year	**$ 303,495**	**$ 279,503**

Recently Adopted Accounting Standards

On July 1, 2023, the Institute adopted the FASB-issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* (Topic 326), which replaces the current GAAP incurred loss impairment methodology with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The adoption of this standard did not have a significant impact on the Institute's financial statements.

A. Accounting Policies (continued)

Non-Cash Items

Non-cash transactions excluded from the Consolidated Statements of Cash Flows include $21.4 million and $24.5 million of accrued liabilities related to plant and equipment purchases as of June 30, 2025, and 2024, respectively.

Use of Estimates

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

Subsequent Events

MIT has evaluated subsequent events through October 10, 2025, the date on which the financial statements were issued. On July 4, 2025, the One Big Beautiful Bill Act (the "Act") was enacted. Under the Act, the Institute's tax rate on net investment income will increase from 1.4 percent to 8.0 percent, effective for the Institute's fiscal year 2027. The Institute is currently evaluating the potential impact of the Act on the financial statements.

Summarized Information

The Consolidated Statement of Activities includes certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP in the United States of America. Accordingly, such information should be read in conjunction with MIT's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Reclassifications

Certain June 30, 2024, balances and amounts previously reported have been reclassified to conform to the June 30, 2025, presentation.

Related Parties

There are three categories of related-party entities that are not fully consolidated in MIT's consolidated financial statements and may have transactions with MIT. The first category is certain non-investment entities with education- or research-based missions. These entities are all U.S. corporations. Income from shared research, royalties for intellectual property, and administration or other services provided to these entities is included as other revenue on the Consolidated Statement of Activities. Costs to pay for services from, provide services to, and support these organizations are included in operating expenses on the Consolidated Statement of Activities. Investments arising from investment participation agreements with these entities are included in investments and the related liability is included in liabilities associated with investments, both on the Consolidated Statements of Financial Position.

Second are trusts for the benefit of employees that are managed by or under the trusteeship of MIT management. The assets of these U.S. trusts offset the benefit obligations of the defined benefit pension and retiree welfare benefit plans to arrive at the net funded status of each plan, both of which are shown on separate line items on the Consolidated Statements of Financial Position. Please refer to Note I for further details.

Third are certain investment entities for which MIT invests in their equity securities. These entities are limited partnership or equivalent entities located in both the U.S. and internationally. The Institute recognizes these as investments, at fair value on the Consolidated Statements of Financial Position and in net return on investments in the Consolidated Statement of Activities. Please refer to Note B for further details.

MIT related parties also include Executive Committee members and senior management, their family members, and in some cases entities with which they are associated that may do business with MIT. Transactions between MIT and members of the Executive Committee, senior management, or members of their families can include philanthropic gifts to MIT or similar transactions reported in contributions and other changes on the Consolidated Statement of Activities.

B. Investments

Investments are presented at fair value in accordance with GAAP.

Cash and short-term investments include cash, money market funds, repurchase agreements, and negotiable certificates of deposit, and are valued at cost, which approximates fair value. Instruments listed or traded on a securities exchange are valued at the last quoted price on the primary exchange where the securities are traded.

Over-the-counter positions, such as interest rate and total return swaps, credit default swaps, options, exchange agreements, and interest rate cap and floor agreements, are valued using broker quotes or models using market-observable inputs.

Investments in non-exchange-traded debt are primarily valued using independent pricing sources that use broker quotes or models using observable market inputs.

Investments managed by external managers include those in (i) absolute return; (ii) domestic, foreign, and private equity; (iii) real estate; and (iv) real asset commingled funds. The fair value of securities held in external investment funds that do not have readily determinable fair values are determined by the external managers based upon industry-standard valuation approaches that require varying degrees of judgment, taking into consideration, among other things: the cost of the securities, valuations, and transactions of comparable public companies; the securities' estimated future cash flow streams; and the prices of recent significant placements of securities of the same issuer. Using these valuations, most of these external managers calculate MIT's capital account or net asset value (NAV) in accordance with, or in a manner consistent with, GAAP's fair value principles.

As a practical expedient, MIT is permitted under GAAP to estimate the fair value of its investments with external managers using the external managers' reported NAV without further adjustment, unless MIT expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with GAAP.

MIT has elected to measure certain equity securities (those without a readily determinable fair value that do not qualify to use NAV as a practical expedient) at cost or fair value on the date of investment less impairment, adjusted for changes in observable prices of the same issuer (the "measurement alternative"). The election to apply the measurement alternative is applied on a security-by-security basis. MIT reassesses whether these investments qualify for the measurement alternative and performs an impairment analysis on an annual basis.

As of June 30, 2025, and 2024, MIT held $319.7 million and $261.3 million, respectively, of investments that are valued using the measurement alternative. These investments are included within Level 3 of the fair value hierarchy table.

There have been no impairment adjustments or observable price changes recognized.

Split-interest agreements are generally valued at the present value of the future distributions expected to be received over the term of the agreement.

MIT performs ongoing due diligence to determine that the fair value of investments is reasonable. In particular, to ensure that the valuation techniques for investments that are categorized within the fair value hierarchy are fair, consistent, and verifiable, MIT has established a Valuation Committee (the Committee) that oversees the valuation processes and procedures and ensures that the policies are fair and consistently applied. The Committee is responsible for conducting annual reviews of the valuation policies and evaluating the overall fairness and consistent application of the valuation policies. The Committee reviews external manager due diligence to substantiate the use of NAV as a practical expedient for estimates of fair value for externally managed funds. The Committee is comprised of senior personnel with members who are independent of investment functions. The Committee meets annually or more frequently, and members of the Committee report to MIT's Risk and Audit Committee as needed.

The methods described in this note may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. While MIT believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

MIT leverages certain real estate investments to optimize the use of invested capital in support of the Institute's mission. The liabilities associated with these financings are presented, on a net basis, with the investment balances on the associated real estate asset found in Table 5. The liabilities associated with real estate investments were $1,320.0 million as of June 30, 2025, and $1,324.4 million as of June 30, 2024. MIT's real estate subsidiaries are separate legal entities whose assets and credit are not available to satisfy the liabilities of MIT as a stand-alone entity. Also, the liabilities of MIT's subsidiaries do not constitute obligations of MIT as a stand-alone entity.

B. Investments (continued)

MIT may enter into short sales whereby it sells securities that may or may not be owned by MIT in anticipation of a decline in the price of such securities or in order to hedge portfolio positions. Cash collateral and certain securities owned by MIT may be held at counterparty brokers to collateralize these positions and are included in investments in the Consolidated Statements of Financial Position and in restricted cash included in investments on the Consolidated Statements of Cash Flows.

GAAP establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. MIT follows a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is considered unobservable.

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

Level 1 – Valuations based upon observable inputs that reflect quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuations based upon: (i) quoted market prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; or (iii) other significant market-based inputs that are observable, either directly or indirectly.

Level 3 – Valuations based upon unobservable inputs that are significant to the overall fair value measurements. Level 3 investments are valued by MIT based upon valuation information received from the relevant entity, which may include last trade information, third-party appraisals of real estate, or valuations prepared in connection with the administration of an employee stock ownership plan. MIT may also utilize industry-standard valuation techniques, including discounted cash flow models. The significant unobservable inputs used in the fair value measurements of MIT's direct investments may include their cost of capital, equity, and industry risk premiums.

Investments managed by external managers in fund structures are not readily marketable and are reported at fair value utilizing the most current information provided by the external manager, subject to assessments that the information is representative of fair value and in consideration of any factors deemed pertinent to the fair value measurement. These investments are shown in the NAV column of Table 5.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to its fair value measurement. Market information is considered when determining the proper categorization of the investment's fair value measurement within the fair valuation hierarchy.

B. Investments (continued)

Table 5 presents MIT's investments at fair value as of June 30, 2025, and 2024, respectively, grouped by the valuation hierarchy described herein. All net realized and unrealized gains and losses related to financial instruments held by MIT included in Table 5 are reflected in the Consolidated Statement of Activities. Cumulative unrealized gains related to Level 3 investments totaled $1,299.2 million and $1,694.3 million as of June 30, 2025, and 2024, respectively.

TABLE 5. INVESTMENTS

(in thousands of dollars)	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fiscal Year 2025					
Cash and short-term investments	$ 275,499	$ 17,800	$ -	$ -	$ 293,299
US Treasury	482,811	1,958,521	-	-	2,441,332
US government agency	-	237,305	-	-	237,305
Domestic bonds	6,377	1,350,967	172,318	-	1,529,662
Foreign bonds	348	181,631	-	-	181,979
Common equity:					
Domestic	844,786	1	254,805	-	1,099,592
Foreign	1,504,203	180,224	20,024	-	1,704,451
Equity:**					
Absolute return	-	-	-	5,681,712	5,681,712
Domestic	-	-	-	2,281,241	2,281,241
Foreign	-	-	-	2,903,852	2,903,852
Private	-	-	54,534	12,610,634	12,665,168
Real estate*	9,026	-	2,672,158	1,730,387	4,411,571
Real assets*	28,889	-	433	238,199	267,521
Split-interest agreements	-	-	93,799	-	93,799
Other	-	-	8,641	-	8,641
Derivatives, assets/(liabilities)	-	(10,785)	-	-	(10,785)
Total Investment assets	**$ 3,151,939**	**$ 3,915,664**	**$ 3,276,712**	**$ 25,446,025**	**$ 35,790,340**
Fiscal Year 2024					
Cash and short-term investments	$ 201,967	$ 67,682	$ -	$ -	$ 269,649
US Treasury	1,403,002	-	-	-	1,403,002
US government agency	-	181,811	-	-	181,811
Domestic bonds	9,412	1,092,412	159,312	-	1,261,136
Foreign bonds	349	144,247	-	-	144,596
Common equity:					
Domestic	506,130	1	246,840	-	752,971
Foreign	1,587,977	70,261	14,603	-	1,672,841
Equity:**					
Absolute return	-	-	-	4,943,175	4,943,175
Domestic	-	-	-	2,540,222	2,540,222
Foreign	-	-	-	2,012,138	2,012,138
Private	-	-	-	11,284,910	11,284,910
Real estate*	1,192	-	3,306,974	1,580,242	4,888,408
Real assets*	16,620	-	368	277,784	294,772
Split-interest agreements	-	-	86,932	-	86,932
Other	-	-	14,779	-	14,779
Derivatives, assets/(liabilities)	3,561	(3,095)	-	-	466
Investments, at fair value	**$ 3,730,210**	**$ 1,553,319**	**$ 3,829,808**	**$ 22,638,471**	**$ 31,751,808**

** Includes direct investments and investments held through commingled vehicles.*

*** Includes commingled vehicles that invest in these types of investments.*

B. Investments (continued)

Table 6 below is a rollforward of the investments classified by MIT within Level 3 of the fair value hierarchy defined earlier in this note as of June 30, 2025, and 2024.

TABLE 6. ROLLFORWARD OF LEVEL 3 INVESTMENTS

(in thousands of dollars)	Fair Value Beginning	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Other Changes and Transfers	Fair Value Ending
Fiscal Year 2025							
Domestic bonds	$ 159,312	$ 56	$ (56)	$ 24,695	$ (11,689)	$ -	$ 172,318
Common equity:							
Domestic	246,840	2,178	544	-	(2,178)	7,421	254,805
Foreign	14,603	9	5,433	-	(21)	-	20,024
Equity - Private	-	-	3,937	50,597	-	-	54,534
Real estate	3,306,974	83,168	(411,504)	273,739	(614,064)	33,845	2,672,158
Real assets	368	10	115	-	(60)	-	433
Split-interest agreements	86,932	987	4,662	4,363	(3,145)	-	93,799
Other	14,779	4	(66)	1,349	(4)	(7,421)	8,641
Investments, at fair value	**$ 3,829,808**	**$ 86,412**	**$ (396,935)**	**$ 354,743**	**$ (631,161)**	**$ 33,845**	**$ 3,276,712**
Fiscal Year 2024							
Domestic bonds	$ 146,166	$ 57	$ (57)	$ 21,232	$ (8,086)	$ -	$ 159,312
Common equity:							
Domestic	233,650	(2)	(1,267)	14,461	(2)	-	246,840
Foreign	23,965	-	(232)	12	-	(9,142)	14,603
Real estate	3,486,773	991	(573,182)	410,694	(2,806)	(15,496)	3,306,974
Real assets	346	-	22	-	-	-	368
Split-interest agreements	81,355	-	4,677	1,092	(192)	-	86,932
Other	12,245	-	2,534	-	-	-	14,779
Investments, at fair value	**$ 3,984,500**	**$ 1,046**	**$ (567,505)**	**$ 447,491**	**$ (11,086)**	**$ (24,638)**	**$ 3,829,808**

Table 7 below sets forth a summary of valuation techniques and quantitative information utilized in determining the fair value of MIT's Level 3 investments as of June 30, 2025, and 2024.

TABLE 7. LEVEL 3 VALUATION TECHNIQUES

(in thousands of dollars)	Fair Value as of June 30, 2025	Fair Value as of June 30, 2024	Valuation Technique	Unobservable Input	2025 Rates	2025 Weighted Average	2024 Rates	2024 Weighted Average
Real Estate	$ 2,864,230	$ 4,252,685	Income approach	Discount Rate	5.00 - 10.00%	7.49%	5.25 - 9.00%	7.35%
				Capitalization Rate	4.50 - 8.00%	6.30%	4.25 -7.25%	6.20%
				Terminal Capitalization Rate	4.75 - 8.25%	6.65%	4.50 - 8.25%	6.47%
	680,776	1,105	Market approach	Comparable sale transactions	$49-347/FAR	$274/FAR	$99-299/FAR	$217/FAR
Equity and real asset securities	-	7,643	Discounted cash flow	Discount Rate	-	-	25.00%	25.00%
Split-interest agreements	93,799	86,932	Net present value	Discount Rate	5.25%	5.25%	5.85%	5.85%
Total assets*	**$ 3,638,805**	**$ 4,348,365**						

** Certain Level 3 investments and debt totaling ($681,823) and ($779,898) as of June 30, 2025 and June 30, 2024, respectively, have been valued at cost which approximates fair value or using unadjusted third party quotations and thus have been excluded from this table.*

*** Certain Level 3 investments totaling $319,730 and $261,344 as of June 30, 2025 and June 30, 2024, respectively, have been valued using the measurement alternative and thus have been excluded from this table.*

**** FAR stands for Floor Area Ratio.*

B. Investments (continued)

MIT has made commitments to make periodic contributions in future periods to investments managed by external managers, and certain of these investments may be subject to restrictions that: (i) limit MIT's ability to withdraw capital after such investment; and (ii) may limit the amount that may be withdrawn as of a given redemption date due to notice periods, lock-ups, and gates. Most absolute return, domestic equity, and foreign equity commingled funds limit withdrawals to monthly, quarterly, or other periods, and may require notice periods. In addition, some of these funds are able to designate a portion of the investments as illiquid in "side-pockets," and these funds may not be available for withdrawal until liquidated by the investing fund.

For the funds where MIT's ability to withdraw capital is limited, primarily with private equity, real estate, and real asset funds, distributions are made when sales of assets within these funds are made, and the investment cycle for these funds can be as long as 15 to 20 years. These restrictions may limit MIT's ability to respond quickly to changes in market conditions. However, MIT does have various sources of liquidity at its disposal. Refer to Note E for further details. Details on the remaining unfunded commitments and current redemption terms and restrictions by asset class and type of investment are provided below in Table 8 as of June 30, 2025, and 2024.

TABLE 8. UNFUNDED COMMITMENTS AND REDEMPTION TERMS AND RESTRICTIONS

	2025		2024			
(in thousands of dollars)	Unfunded Commitments	Fair Value	Unfunded Commitments	Fair Value	Redemption Terms[1]	Days Notice
Equity:						
Absolute return[2]	$ 102,421	$ 5,681,712	$ 91,761	$ 4,943,175	Ranges from daily to 37 months[4]	0 to 365 days
Domestic	1,721	2,281,241	29,546	2,540,222	Ranges from daily to 48 months[4]	30 to 120 days
Foreign[3]	18,728	2,903,852	-	2,012,138	Ranges from daily to 37 months[4]	0 to 180 days
Private	2,368,530	12,610,634	2,736,211	11,284,910	Close-ended funds not available for redemption	Not redeemable
Real estate	566,211	1,730,387	634,273	1,580,242	Close-ended funds not available for redemption	Not redeemable
Real assets	22,707	238,199	18,551	277,784	13 months[4]	90 days
Total	**$ 3,080,318**	**$ 25,446,025**	**$ 3,510,342**	**$ 22,638,471**		

[1] The "Redemption Terms" column reflects the time required to redeem excluding any lockup restrictions. Footnotes 2 and 3 below disclose the longest remaining lockup period for each asset class as of June 30.

[2] Absolute return funds include funds that have remaining lock-up provisions up to 34 months.

[3] Foreign funds include funds that have remaining lock-up provisions up to 60 months.

[4] Includes funds that are not available for redemption.

C. Derivative Financial Instruments and Collateral

For its investment management, MIT uses a variety of financial instruments with off-balance-sheet risk involving contractual or optional commitments for future settlement. MIT uses these instruments primarily to manage or hedge its exposure to extreme market events and fluctuations in asset classes or currencies. Instruments utilized include fixed income, currency and equity futures, options, and swaps. The risks of these instruments, to varying degrees, include the possibility for imperfect correlation between the change in the market value of assets being hedged and the prices of the derivative or hedge instruments, and interest, credit market, liquidity, and counterparty risk.

To manage the counterparty risk, MIT requires collateral to the maximum extent possible under normal trading practices. Collateral is moved on a daily basis as required by fluctuations in the market. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. In the event of counterparty default, MIT has the right to use the collateral to offset the loss associated with the replacement of the agreements. Maximum risk of loss from counterparty credit risk on over-the-counter derivatives is generally the aggregate unrealized appreciation in excess of any collateral pledged by the counterparty. ISDA (International Swaps and Derivatives Association) Master Agreements under which many derivatives are traded allow MIT or the counterparties to an over-the-counter derivative to terminate the contract prior to maturity in the event either party fails to meet the terms in the ISDA Master Agreements. This would cause an accelerated payment of net liability, if owed to the counterparty.

MIT enters into arrangements only with counterparties believed to be creditworthy. On June 30, 2025, and 2024, cash collateral and certain securities owned by MIT were held at counterparty brokers to collateralize these positions and are included in investments in the Consolidated Statements of Financial Position.

Derivatives held by limited partnerships and commingled investment vehicles pose no off-balance-sheet risk to MIT due to the limited liability structure of these investments.

The net fair value related to derivatives for the years ended June 30, 2025, and 2024, were short $10.8 million and $0.5 million, respectively. Net losses related to derivatives totaled $203.8 million and $146.2 million for the years ended June 30, 2025, and 2024, respectively. The average net notional related to derivatives for the years ended June 30, 2025, and 2024, were short $2.5 billion and short $777.7 million, respectively.

Please refer to Note F for information regarding MIT’s Series J interest rate swap.

D. Pledges Receivable

Table 9 below shows the time periods in which pledges receivable as of June 30, 2025, and 2024, are expected to be realized.

TABLE 9. PLEDGES RECEIVABLE

(in thousands of dollars)	2025	2024
In one year or less	$ 278,377	$ 325,313
Between one year and five years	318,596	316,685
More than five years	104,597	135,226
Less: allowance for unfulfilled pledges	(69,841)	(150,320)
Pledges receivable, net	**$ 631,729**	**$ 626,904**

A review of pledges is conducted periodically regarding collectability. As a result, the allowance for unfulfilled pledges is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements.

Pledge discounts of $91.9 million and $145.1 million for the years ended June 30, 2025, and 2024, respectively, were calculated using rates ranging from 4.0 percent to 5.4 percent. MIT had gross conditional pledges, not recorded, for the promotion of education and research of $65.9 million and $107.2 million in fiscal 2025 and 2024, respectively. Conditional pledges are classified into the following categories: foundation grants, fundraising challenges, other commitments, and building construction.

Table 10 below shows the breakout of conditional pledge amounts as of June 30, 2025, and 2024.

TABLE 10. CONDITIONAL PLEDGES

(in thousands of dollars)	2025	2024
Foundation Grants	$ 29,339	$ 28,914
Fundraising Challenge	22,121	22,471
Other	14,401	15,038
Building Construction	-	40,746
Total conditional pledges	**$ 65,861**	**$ 107,169**

Table 11 below is a rollforward of pledges receivable as of June 30, 2025, and 2024.

TABLE 11. ROLLFORWARD OF PLEDGES RECEIVABLE

(in thousands of dollars)	2025	2024
Balance at beginning of the year	$ 626,904	$ 611,187
New pledges	76,081	272,144
Pledge payments received	(204,993)	(236,070)
Change in pledge discount	53,257	(29,382)
Change in allowance for unfulfilled pledges	80,480	9,025
Balance at the end of the year	**$ 631,729**	**$ 626,904**

E. Liquidity

Table 12 below details the Institute's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Consolidated Statements of Financial Position.

TABLE 12. LIQUIDITY AND AVAILABILITY OF RESOURCES

(in thousands of dollars)	2025	2024
Financial assets:		
Cash and liquid operating investments	$ 2,954,165	$ 2,234,089
Accounts receivable	335,648	306,844
Pledges receivable	170,257	144,019
Investments appropriated for spending in the following year	1,444,368	1,379,171
Total financial assets available within one year	**$ 4,904,438**	**$ 4,064,123**

As part of MIT's liquidity management strategy, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. MIT invests its working capital, which is comprised of cash and capital project funds in excess of daily requirements, in various investment vehicles. To help manage unanticipated liquidity needs, MIT expanded its line of credit from $500.0 million to $1.0 billion in June 2025, consisting of an extension of the existing $500.0 million facility to June 2028 and a new $500.0 million facility maturing in June 2026. The lines were undrawn as of June 30, 2025, and 2024.

F. Net Borrowings

MIT's outstanding borrowings as of June 30, 2025, and 2024, are shown in Table 13 below.

TABLE 13. NET BORROWINGS

(in thousands of dollars / due dates are calendar based / par values as of 2025)	2025	2024
Educational plant		
Massachusetts Health and Educational Facilities Authority (MassDevelopment)		
Series I, 5.20%, due 2028, par value $30,000	$ 30,141	$ 30,199
Series J-1, variable rate, due 2031, par value $125,000	125,000	125,000
Series J-2, variable rate, due 2031, par value $125,000	125,000	125,000
Series K, 5.5%, due 2032, par value $121,500	125,171	125,600
Series L, 5.25%, due 2033, par value $64,215	67,317	67,633
Series M, 5.25%, due 2024-2030, par value $68,760	57,821	70,654
Series P, 5.0%, due 2050, par value $136,055	197,558	200,017
Total MassDevelopment	**$ 728,008**	**$ 744,103**
Taxable		
Medium Term Notes Series A, 7.125%, due 2026, par value $17,415	17,410	17,406
Medium Term Notes Series A, 7.25%, due 2096, par value $45,604	45,494	45,489
Taxable Bonds, Series B, 5.60%, due 2111, par value $750,000	747,301	747,270
Taxable Bonds, Series C, 4.678%, due 2114, par value $550,000	550,000	550,000
Taxable Bonds, Series D, 3.308-3.959%, due 2026-2038, par value $456,000	456,000	456,000
Taxable Bonds, Series E, 3.885%, due 2116, par value $500,000	500,000	500,000
Taxable Bonds, Series F, 2.989%, due 2050, par value $525,000	545,736	546,566
Taxable Bonds, Series G, 2.294%, due 2051, par value $350,000	350,000	350,000
Taxable Bonds, Series H, 3.067%, due 2052, par value $500,000	500,000	500,000
Taxable Bonds, Series Q, 5.618%, due 2055, par value $750,000	750,000	-
Total taxable	**$ 4,461,941**	**$ 3,712,731**
Total educational plant*	**$ 5,189,949**	**$ 4,456,834**
Consolidated entity debt	**$ 590**	**$ 1,200**
Total borrowings	**$ 5,190,539**	**$ 4,458,034**
Unamortized bond issuance costs	(30,485)	(27,638)
Total borrowings net of unamortized debt issuance costs	**$ 5,160,054**	**$ 4,430,396**

** Proceeds from recent issuances were in the process of being invested in physical assets in 2025 and 2024 with unused balances held in investments.*

F. Net Borrowings (continued)

The aggregate amounts of debt payments and sinking fund requirements for each of the next five fiscal years are shown in Table 14 below.

TABLE 14. DEBT PRINCIPAL OBLIGATIONS

(in thousands of dollars)

2026	$	13,030
2027		103,415
2028		30,000
2029		13,715
2030		14,435

As of June 30, 2025, MIT had undrawn lines of credit with a major financial institution for an aggregate commitment of $1.0 billion. This includes a new $500.0 million line of credit secured in June 2025 (maturing in June 2026), and an existing $500.0 million line of credit, for which the maturity was extended to June 2028.

Cash paid for interest on long-term debt in fiscal 2025 and fiscal 2024 was $179.6 million and $182.4 million, respectively.

Variable interest rates as of June 30, 2025, are shown in Table 15 below.

TABLE 15. VARIABLE INTEREST RATES

(in thousands of dollars)	Amount	Rate
MassDevelopment Series J-1	$ 125,000	2.80%
MassDevelopment Series J-2	125,000	2.11%

In the event that MIT receives notice of any optional tender on its Series J-1 and Series J-2 variable-rate bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, MIT will be obligated to purchase the bonds tendered at 100.0 percent of par on the tender date. In the event that MIT is obligated to purchase the bonds, cash on hand or liquidation of short-term investments from operating funds would be used as a source of funds.

MIT maintains an interest rate swap agreement to manage the interest cost and risk associated with a portion of the variable rate debt included in Table 15 above. Under the agreement, MIT pays a fixed rate of 4.91 percent and receives a payment indexed to the Securities Industry and Financial Market Association (SIFMA) index on a notional amount of $125.0 million. The notional amount of this derivative is not recorded on MIT's Consolidated Statements of Financial Position. As of June 30, 2025, and 2024, the swap agreement had fair values of ($15.3) million and ($15.6) million, respectively, included in the accounts payable, accruals, and other liabilities line item on the Consolidated Statements of Financial Position. Fair value is measured using Level 2 inputs as defined in Note B. This swap had net gains of $0.3 million and $1.7 million in fiscal 2025 and 2024, respectively.

G. Commitments and Contingencies

Federal Government Funding

MIT receives funding or reimbursement from federal agencies for sponsored programs under government grants and contracts. These grants and contracts provide for reimbursement of indirect costs. MIT's indirect cost reimbursements for sponsored research activities are based on rates negotiated with the Office of Naval Research (ONR), MIT's cognizant federal agency. Indirect research rates are based on fixed rates with carryforward of under- or over-recoveries. MIT recorded a net under-recovery of $51.0 million and $94.0 million as of June 30, 2025, and 2024, respectively. The net under-recovery of $51.0 million as of June 30, 2025, includes an under-recovery related to on-campus research of $64.6 million offset by a net over-recovery of $13.6 million for off-campus research. The net under-recovery of $94.0 million as of June 30, 2024, includes an under-recovery related to on-campus research of $84.6 million and an under-recovery for off-campus research of $9.4 million. The Institute had a reserve against on-campus under-recovery in the amount of $64.6 million and $84.6 million as of June 30, 2025, and 2024, respectively, to reflect that MIT may not, over time, fully recover the on-campus under-recovery.

The Defense Contract Audit Agency (DCAA) is responsible for auditing indirect charges to research grants and contracts in support of ONR's negotiating responsibility. The Institute's rates have been audited by DCAA through fiscal 2023, and the audit for fiscal 2024 is in progress. ONR has completed negotiations of final rates through fiscal 2023 and forward pricing rates through fiscal 2026.

Leases

The Institute is the lessee of space under operating (rental) leases with contractual terms longer than 12 months. The Institute determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The Institute's leases generally have terms that range from 1 to 15 years for property, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement. Right-of-use assets and lease liabilities for operating leases are included in the operating leases - right-of-use assets and operating lease liabilities line items, respectively, in the Consolidated Statements of Financial Position. Lease assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the incremental borrowing rate at the commencement date in determining the present value of future payments. Rent expense related to operating leases, including short-term leases, was $69.3 million and $44.7 million in fiscal 2025 and fiscal 2024, respectively.

Future minimum lease payments with a reconciliation to the operating lease liabilities number in the Consolidated Statements of Financial Position as of June 30, 2025, are shown below.

TABLE 16. ANNUAL MINIMUM LEASE

(in thousands of dollars)

2026	$	69,470
2027		68,637
2028		65,783
2029		50,924
2030		46,610
Thereafter		219,603
Total minimum lease payments		521,027
Less: Amount representing interest		(90,565)
Present value of net minimum lease payments	$	430,462

The lease cost and other required information for the year ended June 30, 2025, and 2024, are shown below:

TABLE 17. QUANTITATIVE DISCLOSURES

(in thousands of dollars)	2025	2024
Accretion of the lease liability	$ 139,054	$ 47,397
Operating cash flows from operating leases*	$ 66,531	$ 43,872
Weighted-average remaining lease term in years	9.1	5.8
Weighted-average discount rate	3.5%	1.6%

** Lease costs are reported in utilities, rent, and repairs in the Consolidated Statement of Activities.*

Assets Pledged as Collateral

As of June 30, 2025, and 2024, $0.3 million and $0.8 million of assets, respectively, were pledged as collateral to various suppliers and government agencies. This is classified as restricted cash on the Consolidated Statements of Cash Flows.

G. Commitments and Contingencies (continued)

Future Construction

As of June 30, 2025, MIT had contractual obligations of approximately $187.6 million in connection with educational plant construction projects. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, bond proceeds, and funds without donor restrictions.

MIT has also made commitments related to the development of its commercial real estate holdings in Kendall Square and to the enhancement of its East Campus gateway. As of June 30, 2025, the outstanding commitments included approximately $56.3 million of contractual obligations related to the Kendall Square Initiative, $113.5 million related to Kendall Common, and $4.8 million related to other commercial real estate projects. In 2017, MIT and the federal government entered into an agreement whereby MIT agreed to construct a new transportation center on 4 of the 14 acres of federally owned land located at the John A. Volpe National Transportation Systems Center site in Kendall Square in exchange for the fee interest to and the right to redevelop the adjacent 10 acres of land. MIT has invested a total of $748.5 million in the project. Costs incurred for construction of the new facility and in completion of the final exchange, which are included in investments, were $270.6 million in fiscal 2024. The exchange was completed in January of 2024 upon completion of the construction of the new facility by delivery of the building with a cost to MIT of $529.5 million and cash of $219.0 million. The Volpe property was then marked-to-market and is carried at fair value in investments as of June 30, 2025, and 2024.

General

MIT has entered into agreements, including collaborations with third-party not-for-profit and for-profit entities, for education, research, and technology transfers. Some of these agreements involve funding from foreign governments. These agreements subject MIT to greater financial risk than do its normal operations. In the opinion of management, the likelihood of realization of increased financial risks by MIT under these agreements is remote.

MIT is subject to certain other legal proceedings and claims that arise in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on MIT’s financial position.

H. Functional Expense Classification

MIT's expenditures on a functional basis for the years ended June 30, 2025, and 2024, are shown in Table 18 below.

TABLE 18. EXPENDITURES BY FUNCTIONAL CLASSIFICATION

(in thousands of dollars)	General and administrative	Instruction and unsponsored research	Sponsored research	Total
Fiscal Year 2025				
Compensation	$ 673,285	$ 775,150	$ 1,178,111	$ 2,626,546
Other operating	153,525	633,336	801,311	1,588,172
Space-related	246,080	259,697	226,413	732,190
2025 Total	**$ 1,072,890**	**$ 1,668,183**	**$ 2,205,835**	**$ 4,946,908**
Fiscal Year 2024				
Compensation	$ 559,934	$ 736,573	$ 1,136,985	$ 2,433,492
Other operating	144,894	594,929	734,999	1,474,822
Space-related	211,387	235,623	230,865	677,875
2024 Total	**$ 916,215**	**$ 1,567,125**	**$ 2,102,849**	**$ 4,586,189**

Expenses are presented by functional classification in alignment with the overall mission of the Institute. Each functional classification displays all expenses related to the underlying operation by natural classification. Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation and utilities, rent, and repair expenses are allocated directly and/or based on square footage. Interest expense on indebtedness is allocated to the functional categories that have benefited from the proceeds of the associated debt.

I. Retirement Benefits

MIT offers a defined benefit pension plan and a defined contribution plan to its employees. The plans cover substantially all MIT employees.

MIT also offers a retiree welfare benefit plan (certain healthcare and life insurance benefits) for retired employees. Substantially all MIT employees may become eligible for those benefits if they reach a qualifying retirement age while working for MIT. The healthcare component of the welfare plan is paid for in part by retirees, their covered dependents, and beneficiaries. Benefits are provided through various insurance companies whose charges are based either on the claims and administrative expenses paid during the year or annual insured premiums. The life insurance component of the welfare plan includes basic life insurance and supplemental life insurance. The basic life insurance plan is non-contributory and covers the retiree only. The supplemental life insurance plan is paid for by the retiree. MIT maintains a trust to pay for the retiree welfare benefit plan.

MIT contributes to the defined benefit pension plan amounts that are actuarially determined to provide the retirement plan with sufficient assets to meet future benefit requirements. There were no designated contributions to the defined benefit pension plan and the retiree welfare benefit plan for fiscal 2025 and fiscal 2024. For the defined contribution plan, the amounts contributed by MIT and expenses recognized during fiscal 2025 and fiscal 2024 were $89.5 million and $83.7 million, respectively.

For purposes of calculating net periodic benefit cost, plan amendments for the defined benefit pension plan are amortized on a straight-line basis over the average future service of active participants at the date of the amendment. Plan amendments to the retiree welfare benefit plan are amortized on a straight-line basis over the average future service to full eligibility of active participants at the date of amendment.

Cumulative gains and losses (including changes in assumptions) more than 10.0 percent of the greater of the benefit obligation or the market-related value of assets for both the defined benefit pension plan and the retiree welfare benefit plan are amortized over the average future service of active participants. MIT accelerates recognition of cumulative gains or losses to the extent that the unrecognized balance partially or fully offsets the preliminary net periodic benefit cost or income calculated prior to this accelerated amount. In no event shall the annual amortization be less than the total amount of unrecognized gains and losses up to $1.0 million.

I. Retirement Benefits (continued)

Components of Net Periodic Benefit Cost

Table 19 below summarizes the components of net periodic benefit cost recognized in net results and other amounts recognized in other revenues, gains, and losses without donor restrictions for the years ended June 30, 2025, and 2024.

TABLE 19. COMPONENTS OF NET PERIODIC BENEFIT COST AND OTHER AMOUNTS RECOGNIZED IN OTHER REVENUES, GAINS, AND LOSSES

	Defined Benefit Pension Plan		Retiree Welfare Benefit Plan	
(in thousands of dollars)	2025	2024	2025	2024
Components of net periodic benefit cost recognized in net results:				
Service cost	$ 119,503	$ 110,231	$ 28,262	$ 29,313
Interest cost	283,236	254,078	40,888	38,643
Expected return on plan assets	(411,426)	(391,526)	(68,032)	(64,763)
Amortization of net actuarial (gain)	(1,000)	(15,323)	(19,251)	(19,605)
Amortization of prior service cost	347	347	1,646	1,646
Special/contractual termination benefits	2,837	-	479	-
Net periodic benefit (income) recognized in net results	(6,503)	(42,193)	(16,008)	(14,766)
Other amounts recognized in other revenues, gains and losses:				
Current year actuarial (gain) loss	(549,454)	93,816	(206,286)	(47,094)
Amortization of actuarial gain	1,000	15,323	19,251	19,605
Amortization of prior service (cost)	(347)	(347)	(1,646)	(1,646)
Total other amounts recognized in other revenues, gains and losses	(548,801)	108,792	(188,681)	(29,135)
Total recognized	**$ (555,304)**	**$ 66,599**	**$ (204,689)**	**$ (43,901)**

Cumulative amounts recognized in net assets without donor restrictions are summarized in Table 20 below for the years ended June 30, 2025, and 2024.

TABLE 20. CUMULATIVE AMOUNTS RECOGNIZED IN NET ASSETS WITHOUT DONOR RESTRICTION

	Defined Benefit Pension Plan		Retiree Welfare Benefit Plan	
(in thousands of dollars)	2025	2024	2025	2024
Amounts recognized in net assets without donor restrictions consist of:				
Net actuarial (gain)	$ (856,696)	$ (308,242)	$ (444,278)	$ (257,243)
Prior service cost	1,554	1,901	9,372	11,018
Total cumulative amounts recognized in net assets without donor restrictions	**$ (855,142)**	**$ (306,341)**	**$ (434,906)**	**$ (246,225)**

I. Retirement Benefits (continued)

Benefit Obligations and Fair Value of Assets

Table 21 below summarizes the benefit obligations, plan assets, and amounts recognized in the Consolidated Statements of Financial Position for MIT's retirement benefit plans. MIT uses a June 30 measurement date for its defined benefit pension plan and retiree welfare benefit plan.

The projected benefit obligation for the defined benefit pension plan, as shown in Table 21, was $5,115.9 million and $4,980.8 million as of June 30, 2025, and 2024, respectively. Another measure of the plan's liabilities is the accumulated benefit obligation. While the projected benefit obligation factors in future salary increases, the accumulated benefit obligation does not. The accumulated benefit obligation of MIT's defined benefit pension plan was $4,985.3 million and $4,845.6 million as of June 30, 2025, and 2024, respectively.

The actuarial gains reflected in 2025 are due to a higher discount rate for the defined benefit pension plan and updated healthcare cost and reimbursement assumptions for the retiree welfare benefit plan.

MIT provides retiree drug coverage through an Employer Group Waiver Plan (EGWP). Under an EGWP, the cost of drug coverage is offset through direct federal subsidies, brand-name drug discounts, and reinsurance reimbursements.

TABLE 21. BENEFIT OBLIGATIONS* AND FAIR VALUE OF ASSETS

	Defined Benefit Pension Plan		Retiree Welfare Benefit Plan	
(in thousands of dollars)	2025	2024	2025	2024
Change in benefit obligations*:				
Benefit obligations* at beginning of year	$ 4,980,844	$ 4,570,000	$ 688,056	$ 661,227
Service cost	119,503	110,231	28,262	29,313
Interest cost	283,236	254,078	40,888	38,643
Retiree contributions	-	-	13,786	12,385
Net benefit payments, transfers, and other expenses	(210,372)	(194,765)	(61,847)	(51,934)
Employer Group Waiver Plan (EGWP) reimbursement	-	-	16,145	12,973
Assumption changes and actuarial net (gain) loss	(60,121)	241,300	(122,574)	(14,551)
Special/contractual termination benefits	2,837	-	479	-
Benefit obligations* at end of the year	**5,115,927**	**4,980,844**	**603,195**	**688,056**
Change in plan assets:				
Fair value of plan assets at beginning of the year	5,548,970	5,204,725	985,479	914,749
Actual return on plan assets	900,759	539,010	151,744	97,306
Employer Group Waiver Plan (EGWP) reimbursement	-	-	16,145	12,973
Retiree contributions	-	-	13,786	12,385
Net benefit payments, transfers, and other expenses	(210,372)	(194,765)	(61,847)	(51,934)
Fair value of plan assets at end of the year	**6,239,357**	**5,548,970**	**1,105,307**	**985,479**
Funded status at end of the year	**1,123,430**	**568,126**	**502,112**	**297,423**
Amounts recognized in the Consolidated Statements of Financial Position consist of:				
Net asset position	**$ 1,123,430**	**$ 568,126**	**$ 502,112**	**$ 297,423**

**The benefit obligation for the defined benefit pension plan is the Projected Benefit Obligation (PBO); for the retiree welfare benefit plan it is the Accumulated Postretirement Benefit Obligation (APBO).*

I. Retirement Benefits (continued)

Assumptions for Financial Parameters and Healthcare Trend Rates

Table 22 below summarizes assumptions and healthcare trend rates. The expected long-term rate-of-return assumption represents the expected average rate of earnings on the funds invested, or to be invested, to provide for the benefits included in the benefit obligation. The long-term rate-of-return assumption is determined based on several factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses, and the potential to outperform market index returns.

TABLE 22. ASSUMPTIONS

	Defined Benefit Pension Plan		Retiree Welfare Benefit Plan	
(in thousands of dollars)	2025	2024	2025	2024
Assumptions used to determine benefit obligation as of June 30:				
Discount rate	5.77%	5.68%	5.81%	5.84%
Rate of compensation increase*	5.50%	5.50%		
Pension increases for in-payment benefits**	3.00%/1.88%	3.38%/1.88%		
Cash balance interest crediting rate	6.00%	6.00%		
Assumptions used to determine net periodic benefit cost for the year ended June 30:				
Discount rate	5.68%	5.56%	5.84%	5.73%
Expected long-term return on plan assets	7.25%	7.25%	6.75%	6.75%
Rate of compensation increase	5.50%	7.00%/5.50%		
Cash balance interest crediting rate	6.00%	6.00%		
Assumed health care cost trend rates:				
Healthcare cost trend rate assumed for next year (pre-65/post-65/EGWP)***			7.50%/7.00%/18.00%	7.75%/7.25%/-17.58%
Ultimate health care cost trend rate (pre-65/post-65/EGWP)****			5.00%/5.00%/5.00%	5.00%/5.00%/5.00%
Year the rate reaches the ultimate trend rate			2031/2031/2029	2031/2031/2033

**As of June 30, 2025, salary increases are assumed to be 5.50% for fiscal years ending 2026 and beyond, the same as June 30, 2024.*

***As of June 30, 2025, the pension increase assumption for in-payment benefits is assumed to be 3.00% in 2025, grading down to 1.88% over 4 years, updated from June 30, 2024, assumption of 3.38% grading down to 1.88% over 5 years.*

****As of June 30, 2025, the healthcare cost trend for next year is assumed to be 7.50% for pre-65 costs, 7.00% for post-65 costs, and 18.00% for EGWP reimbursement.*

*****As of June 30, 2025, the ultimate healthcare cost trend is assumed to be 5.00% for pre- and post-65 costs and for EGWP reimbursements.*

Plan Investments

The investment objectives for the assets of the plans are to minimize expected funding contributions and to meet or exceed the rates of return assumed for plan funding purposes over the long term. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers, the maintenance of a portfolio diversified by asset class, investment approach, security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

I. Retirement Benefits (continued)

Tables 23A and 23B present investments at fair value of MIT's defined benefit pension plan and retiree welfare benefit plan, which are included in fair value of plan assets as of June 30, 2025, and 2024, grouped by the valuation hierarchy detailed in Note B. The investment values in these tables exclude certain items included in the assets and liabilities shown in Table 21.

TABLE 23A. DEFINED BENEFIT PENSION PLAN INVESTMENTS

(in thousands of dollars)	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fiscal Year 2025					
Cash and short-term investments	$ 278,950	$ 1,300	$ -	$ -	$ 280,250
US Treasury	299,962	119,386	-	-	419,348
US government agency	-	59,441	-	-	59,441
Domestic bonds	-	14	-	-	14
Common equity:					
Domestic	401,706	-	1,577	-	403,283
Foreign	444,410	41,093	3,975	-	489,478
Equity:*					
Absolute return	-	-	-	850,431	850,431
Domestic	-	-	-	534,283	534,283
Foreign	-	-	-	631,537	631,537
Private	-	-	12,143	2,267,823	2,279,966
Real estate*	1,804	-	-	386,262	388,066
Real assets*	-	-	73	56,524	56,597
Other	3,641	-	100	-	3,741
Derivatives	-	18,245	-	-	18,245
Total plan investment assets	**$ 1,430,473**	**$ 239,479**	**$ 17,868**	**$ 4,726,860**	**$ 6,414,680**
Liabilities associated with investments					
Investments sold, but not yet purchased	(161,479)	-	-	-	(161,479)
Other liabilities	(4,430)	(6,960)	-	-	(11,390)
Total plan investment liabilities	**(165,909)**	**(6,960)**	**-**	**-**	**(172,869)**
Total plan investments	**$ 1,264,564**	**$ 232,519**	**$ 17,868**	**$ 4,726,860**	**$ 6,241,811**
Fiscal Year 2024					
Cash and short-term investments	$ 134,925	$ 3,100	$ -	$ -	$ 138,025
US Treasury	473,126	-	-	-	473,126
US government agency	-	67,778	-	-	67,778
Domestic bonds	-	13	-	-	13
Common equity:					
Domestic	322,282	-	-	-	322,282
Foreign	400,472	16,732	2,867	-	420,071
Equity:*					
Absolute return	-	-	-	759,274	759,274
Domestic	-	-	-	467,971	467,971
Foreign	-	-	-	527,793	527,793
Private	-	-	-	2,009,924	2,009,924
Real estate*	4	-	-	338,672	338,676
Real assets*	-	-	-	67,856	67,856
Other	3,001	-	1,577	-	4,578
Derivatives	-	8,636	-	-	8,636
Total plan investments assets	**$ 1,333,810**	**$ 96,259**	**$ 4,444**	**$ 4,171,490**	**$ 5,606,003**
Liabilities associated with investments					
Investments sold, but not yet purchased	(65,042)	-	-	-	(65,042)
Other liabilities	(2,131)	(1,761)	-	-	(3,892)
Total plan investment liabilities	**(67,173)**	**(1,761)**	**-**	**-**	**(68,934)**
Total plan investments	**$ 1,266,637**	**$ 94,498**	**$ 4,444**	**$ 4,171,490**	**$ 5,537,069**

** Equity, real estate, and real assets categories include commingled vehicles that invest in these types of investments.*

TABLE 23B. RETIREE WELFARE BENEFIT PLAN INVESTMENTS

(in thousands of dollars)	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fiscal Year 2025					
Cash and short-term investments	$ 46,698	$ 1,000	$ -	$ -	$ 47,698
US Treasury	84,453	37,165	-	-	121,618
US government agency	-	14,683	-	-	14,683
Domestic bonds	-	3	-	-	3
Common equity:					
Domestic	71,041	-	278	-	71,319
Foreign	78,312	7,252	702	-	86,266
Equity:*					
Absolute return	-	-	-	146,055	146,055
Domestic	-	-	-	87,075	87,075
Foreign	-	-	-	116,948	116,948
Private	-	-	2,142	352,342	354,484
Real estate*	318	-	-	65,669	65,987
Real assets*	-	-	-	9,297	9,297
Other	650	-	18	-	668
Derivatives	-	3,212	-	-	3,212
Total plan investment assets	**$ 281,472**	**$ 63,315**	**$ 3,140**	**$ 777,386**	**$ 1,125,313**
Liabilities associated with investments					
Investments sold, but not yet purchased	(25,371)	-	-	-	(25,371)
Other liabilities	(779)	(1,230)	-	-	(2,009)
Total plan investment liabilities	**(26,150)**	**(1,230)**	**-**	**-**	**(27,380)**
Total plan investments	**$ 255,322**	**$ 62,085**	**$ 3,140**	**$ 777,386**	**$ 1,097,933**
Fiscal Year 2024					
Cash and short-term investments	$ 30,569	$ -	$ -	$ -	$ 30,569
US Treasury	123,894	-	-	-	123,894
US government agency	-	17,671	-	-	17,671
Domestic bonds	-	2	-	-	2
Common equity:					
Domestic	57,126	-	-	-	57,126
Foreign	69,977	2,953	538	-	73,468
Equity:*					
Absolute return	-	-	-	131,447	131,447
Domestic	-	-	-	74,227	74,227
Foreign	-	-	-	101,660	101,660
Private	-	-	-	311,668	311,668
Real estate*	1	-	-	55,924	55,925
Real assets*	-	-	-	10,983	10,983
Other	536	-	278	-	814
Derivatives	-	1,521	-	-	1,521
Total plan investment assets	**$ 282,103**	**$ 22,147**	**$ 816**	**$ 685,909**	**$ 990,975**
Liabilities associated with investments					
Investments sold, but not yet purchased	(11,442)	-	-	-	(11,442)
Other liabilities	(376)	(310)	-	-	(686)
Total plan investment liabilities	**(11,818)**	**(310)**	**-**	**-**	**(12,128)**
Total plan investments	**$ 270,285**	**$ 21,837**	**$ 816**	**$ 685,909**	**$ 978,847**

** Equity, real estate, and real assets categories include commingled vehicles that invest in these types of investments.*

I. Retirement Benefits (continued)

The plans have made commitments to make periodic contributions in future periods to investments managed by external managers, and in other cases have entered into contractual arrangements that may limit their ability to initiate redemptions due to notice periods, lock-ups, and gates. Details on the remaining unfunded commitments and current redemption terms and restrictions by asset class and type of investment for both the defined benefit pension plan and retiree welfare benefit plan are provided in Table 24 below as of June 30, 2025, and 2024.

TABLE 24. UNFUNDED COMMITMENTS AND REDEMPTION TERMS AND RESTRICTIONS

	2025		2024			
(in thousands of dollars)	Unfunded Commitments	Fair Value	Unfunded Commitments	Fair Value	Redemption Terms[1]	Days Notice
Defined Benefit Pension Plan						
Equity:						
Absolute return[2]	$ 24,659	$ 850,431	$ 28,874	$ 759,274	Ranges from daily to 37 months[5]	20 to 730 days
Domestic[3]	387	534,283	387	467,971	Ranges from daily to 48 months[5]	30 to 120 days
Foreign[4]	-	631,537	-	527,793	Ranges from daily to 18 months[5]	20 to 120 days
Private	409,728	2,267,823	476,522	2,009,924	Close-ended funds not available for redemption	Not redeemable
Real estate	181,336	386,262	198,198	338,672	Close-ended funds not available for redemption	Not redeemable
Real assets	4,868	56,524	4,054	67,856	13 months[5]	90 days
Total	**$ 620,978**	**$ 4,726,860**	**$ 708,035**	**$ 4,171,490**		
Retiree Welfare Benefit Plan						
Equity:						
Absolute return[2]	$ 4,179	$ 146,055	$ 4,662	$ 131,447	Ranges from daily to 37 months[5]	20 to 730 days
Domestic[3]	43	87,075	43	74,227	Ranges from daily to 48 months[5]	30 to 120 days
Foreign[4]	-	116,948	-	101,660	Ranges from daily to 18 months[5]	20 to 120 days
Private	68,612	352,342	79,231	311,668	Close-ended funds not available for redemption	Not redeemable
Real estate	32,251	65,669	35,849	55,924	Close-ended funds not available for redemption	Not redeemable
Real assets	820	9,297	676	10,983	13 months[5]	90 days
Total	**$ 105,905**	**$ 777,386**	**$ 120,461**	**$ 685,909**		

[1] The "Redemption Terms" column reflects the time required to redeem excluding any lock-up restrictions. Footnotes 2-4 below disclose the longest remaining lock-up period for each asset class as of June 30.

[2] Absolute return funds include funds that have remaining lock-up provisions up to 12 months.

[3] Domestic funds include funds that have remaining lock-up provisions up to 10 months.

[4] Foreign funds include funds that have remaining lock-up provisions up to 1 month.

[5] Includes funds that are not available for redemption.

I. Retirement Benefits (continued)

Target allocations and weighted-average asset allocations of the investment portfolios for MIT's defined benefit pension plan and retiree welfare benefit plan as of June 30, 2025, and 2024, are shown in Table 25 below.

TABLE 25. PLAN INVESTMENT ALLOCATION

	Defined Benefit Pension Plan			Retiree Welfare Benefit Plan		
	2025 Target Allocation	2025	2024	2025 Target Allocation	2025	2024
Cash and short-term investments	0-10%	4%	2%	0-10%	4%	3%
Fixed income	3-13%	8%	10%	10-20%	13%	15%
Equities	41.5-88.5%	67%	67%	36.5-84%	63%	62%
Marketable alternatives	12-22%	14%	14%	12.5-22.5%	13%	13%
Real assets	0-6%	1%	1%	0-5.5%	1%	1%
Real estate	0.5-10.5%	6%	6%	0-8%	6%	6%
Total		**100%**	**100%**		**100%**	**100%**

Expected Future Benefit Payments

In fiscal 2026, MIT does not expect to contribute to its defined benefit pension plan or to the retiree welfare benefit plan as determined by their valuations. These valuations assume a 7.25 percent and 6.75 percent expected return on assets for the defined benefit pension plan and retiree welfare benefit plan, respectively. MIT elected to adopt Pri-2012 mortality tables for employees and retirees issued by the Society of Actuaries (SOA) with an experience adjustment multiplier of 0.8 to reflect MIT experience. Mortality rates are projected generationally from the base year of 2012 using Scale MP-2021.

Table 26 below reflects the total expected benefit payments for the defined benefit pension plan and retiree welfare benefit plan over the next ten years. These payments have been estimated based on the same assumptions used to measure MIT's benefit obligations as of June 30, 2025.

TABLE 26. EXPECTED FUTURE BENEFIT PAYMENTS

(in thousands of dollars)	Pension Benefits	Retiree Welfare Benefits*
2026	$ 231,359	$ 31,681
2027	256,674	33,902
2028	271,016	36,051
2029	283,817	37,992
2030	296,008	39,633
2031 - 2035	1,646,783	225,972

**Retiree Welfare Benefits reflect the total net benefits expected to be paid from the plans (e.g., gross benefit reimbursement offset by retiree contributions).*

I. Retirement Benefits (continued)

Derivative Financial Instruments

For investment management, the defined benefit pension and the retiree welfare benefit plans use a variety of financial instruments with off-balance-sheet risk involving contractual or optional commitments for future settlement. They use these instruments primarily to manage or hedge exposure to extreme market events and fluctuations in asset classes or currencies. Instruments utilized include fixed income, currency and equity futures, options, and swaps. The risks of these instruments, to varying degrees, include the possibility for imperfect correlation between the change in the market value of assets being hedged and the prices of the derivative or hedge instruments, as well as interest, credit market, liquidity, and counterparty risk.

Derivatives held by limited partnerships and commingled investment vehicles pose no off-balance-sheet risk to the plans due to the limited liability structure of these investments. The net fair value related to derivatives for the defined benefit pension plan for the years ended June 30, 2025, and 2024, were $11.3 million and $7.6 million, respectively. Net losses for the defined benefit pension plan related to derivatives totaled $9.8 million and $5.1 million for the years ended June 30, 2025, and 2024, respectively. The average net notional values related to derivatives for the defined benefit pension plan for the years ended June 30, 2025, and 2024, were short $94.8 million and short $72.0 million, respectively.

The net fair value for the retiree welfare benefit plan related to derivatives for the years ended June 30, 2025, and 2024, were $2.0 million and $1.3 million, respectively. Net losses for the retiree welfare benefit plan related to derivatives totaled $1.7 million and $0.9 million for the years ended June 30, 2025, and 2024, respectively. The average net notional for the retiree welfare benefit plan related to derivatives for the years ended June 30, 2025, and 2024, were short $16.8 million and short $12.2 million, respectively.

J. Components of Net Assets and Endowment

Tables 27A and 27B present the composition of net assets as of June 30, 2025, and June 30, 2024, respectively. The amounts listed in the without donor restrictions category under the endowment funds sections are those gifts and other funds received over the years that MIT designated as funds functioning as endowments and invested with the endowment funds. A large component of net assets with donor restrictions in other funds is pledges, the majority of which will be reclassified to net assets without donor restrictions when cash is received.

TABLE 27A. 2025 TOTAL NET ASSET COMPOSITION

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
General purpose	$ 2,312,086	$ 2,754,572	$ 5,066,658
Departments and research	1,332,225	4,031,423	5,363,648
Library	21,505	95,623	117,128
Salaries and wages	1,081,995	6,403,379	7,485,374
Graduate general	159,345	493,499	652,844
Graduate departments	489,461	1,623,009	2,112,470
Undergraduate	499,478	2,902,566	3,402,044
Prizes	16,797	103,429	120,226
Miscellaneous	2,163,349	882,498	3,045,847
Endowment funds before pledges	8,076,241	19,289,998	27,366,239
Pledges	-	161,929	161,929
Total endowment funds	8,076,241	19,451,927	27,528,168
Other Funds			
Student-related loan funds	16,425	23,716	40,141
Building funds	57,945	17,281	75,226
Designated purposes:			
Departments and research	604,192	-	604,192
Other purposes	430,686	23,218	453,904
Life income funds and donor-advised funds	154,216	296,139	450,355
Pledges	-	469,799	469,799
Other funds available for current expenses	4,832,513	454,039	5,286,552
Retirement benefits overfunded	1,625,542	-	1,625,542
Funds for educational plant	1,141,858	-	1,141,858
Total other funds	8,863,377	1,284,192	10,147,569
Total net assets	**$ 16,939,618**	**$ 20,736,119**	**$ 37,675,737**

J. Components of Net Assets and Endowment (continued)

TABLE 27B. 2024 TOTAL NET ASSET COMPOSITION

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds			
General purpose	$ 2,108,647	$ 2,531,129	$ 4,639,776
Departments and research	1,189,900	3,626,231	4,816,131
Library	19,664	87,396	107,060
Salaries and wages	954,739	5,859,984	6,814,723
Graduate general	145,704	405,825	551,529
Graduate departments	429,446	1,455,528	1,884,974
Undergraduate	444,685	2,633,845	3,078,530
Prizes	15,358	91,467	106,825
Miscellaneous	1,899,274	673,894	2,573,168
Endowment funds before pledges	7,207,417	17,365,299	24,572,716
Pledges	-	142,314	142,314
Total endowment funds	7,207,417	17,507,613	24,715,030
Other Funds			
Student-related loan funds	16,744	23,718	40,462
Building funds	42,241	67,308	109,549
Designated purposes:			
Departments and research	578,762	-	578,762
Other purposes	374,501	17,665	392,166
Life income funds and donor-advised funds	130,273	259,518	389,791
Pledges	-	484,590	484,590
Other funds available for current expenses	4,467,622	397,561	4,865,183
Retirement benefits overfunded	865,549	-	865,549
Funds for educational plant	1,109,795	-	1,109,795
Total other funds	7,585,487	1,250,360	8,835,847
Total net assets	**$ 14,792,904**	**$ 18,757,973**	**$ 33,550,877**

MIT's endowment consists of approximately 4,800 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds that function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Committee has interpreted the Massachusetts-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing MIT to appropriate for expenditure or accumulate so much of an endowment fund as MIT determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Executive Committee. In accordance with UPMIFA, the Executive Committee considers the following factors in deciding to appropriate or accumulate endowment funds:

i. the duration and preservation of the fund;
ii. the purposes of MIT and the endowment fund;
iii. general economic conditions;
iv. the possible effects of inflation and deflation;
v. the expected total return from income and the appreciation of investments;
vi. other resources of MIT; and
vii. the investment policies of MIT.

J. Components of Net Assets and Endowment (continued)

Table 28 below reflects changes in endowment net assets without and with donor restrictions for fiscal 2025 and fiscal 2024, respectively.

TABLE 28. CHANGES IN ENDOWMENT NET ASSETS

(in thousands of dollars)	Without Donor Restriction	With Donor Restriction	Total
Fiscal Year 2025			
Endowment net assets, July 1, 2024	$ 7,207,417	$ 17,507,613	$ 24,715,030
Investment return:			
Net Investment income	173,762	412,130	585,892
Realized and unrealized gains/(losses)	970,803	2,163,846	3,134,649
Total investment return	1,144,565	2,575,976	3,720,541
Contributions	-	200,126	200,126
Appropriation of endowment assets for expenditure	(369,958)	(860,297)	(1,230,255)
Net asset reclassifications and transfers	94,217	28,509	122,726
Endowment net assets, June 30, 2025	**$ 8,076,241**	**$ 19,451,927**	**$ 27,528,168**
Fiscal Year 2024			
Endowment net assets, July 1, 2023	$ 6,812,562	$ 16,802,844	$ 23,615,406
Investment return:			
Net Investment income	16,366	45,569	61,935
Realized and unrealized gains/(losses)	606,405	1,348,702	1,955,107
Total investment return	622,771	1,394,271	2,017,042
Contributions	-	182,723	182,723
Appropriation of endowment assets for expenditure	(349,302)	(817,295)	(1,166,597)
Net asset reclassifications and transfers	121,386	(54,930)	66,456
Endowment net assets, June 30, 2024	**$ 7,207,417**	**$ 17,507,613**	**$ 24,715,030**

J. Components of Net Assets and Endowment (continued)

Endowment Investment and Spending Policies

MIT's investment policy is based on the primary goal of maximizing return relative to appropriate risk such that performance exceeds appropriate benchmark returns at the total pool, asset class, and individual manager levels. To achieve its long-term rate-of-return objectives, MIT relies on a total return strategy in which investment returns are realized through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). MIT targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Institute's primary investment pool, Pool A, is principally for endowment and funds functioning as endowment. The effective spending rates on pooled investment funds were 5.0 percent, or 4.9 percent on a three-year-average basis, and 5.0 percent, or 4.8 percent on a three-year-average basis, for fiscal 2025 and fiscal 2024, respectively.

Pool A operates as a mutual fund with units purchased and redeemed based on the previous month's unit market value. Certain endowed assets are also maintained in separately invested funds.

MIT has adopted spending policies designed to provide a predictable stream of funding to programs supported by its investments while maintaining the purchasing power of assets. For pooled investments, the Executive Committee of the Corporation votes to distribute funds for operational support from general investments. In accordance with MIT's spending policy, these distributions are funded from both investment income and market appreciation. The distribution rates were $129.81 and $124.63 per Pool A unit as of fiscal 2025 and fiscal 2024, respectively. For separately invested endowment funds, only the annual investment income generated is distributed for spending. For any underwater endowment funds, the distribution of funds for operational support is at the discretion of the Executive Committee.

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Massachusetts Institute of Technology Five-Year Trend Analysis (Unaudited) – Financial Highlights

(in thousands of dollars)	2025	2024	2023	2022	2021
Financial Position					
Investments, at fair value	$ 35,790,340	$ 31,751,808	$ 30,692,919	$ 32,548,631	$ 34,793,438
Land, buildings, and equipment, at cost less accumulated depreciation	5,638,334	5,425,451	5,016,660	4,686,460	4,475,962
Borrowings, net of unamortized issuance costs	5,160,054	4,430,396	4,484,462	4,657,050	3,929,034
Total assets	45,342,942	39,982,498	38,637,992	39,883,400	42,526,492
Total liabilities	7,667,205	6,431,621	6,455,021	6,652,869	6,080,123
Net assets without donor restriction	16,939,618	14,792,904	13,999,705	14,295,593	15,725,732
Net assets with donor restrictions	20,736,119	18,757,973	18,183,266	18,934,938	20,720,637
Total net assets	37,675,737	33,550,877	32,182,971	33,230,531	36,446,369
Total endowment funds before pledges	27,366,239	24,572,716	23,453,446	24,600,809	27,394,039
Principal Sources of Revenues					
Tuition and similar revenues, exclusive of financial aid	$ 436,108	$ 427,993	$ 409,031	$ 415,252	$ 344,303
Sponsored support:					
Campus direct	713,631	706,963	657,193	608,753	578,900
Lincoln direct	1,407,807	1,305,146	1,166,956	1,072,814	1,073,876
SMART direct	26,669	23,588	23,857	21,639	28,246
Indirect cost recovery	273,044	289,172	215,004	284,643	276,103
Total sponsored support	2,421,151	2,324,869	2,063,010	1,987,849	1,957,125
Contributions	677,940	598,740	553,280	686,680	505,184
Net return on investments	4,298,866	2,155,735	(282,724)	(2,056,207)	10,889,913
Distribution of investment returns	1,565,391	1,481,173	1,360,833	1,022,202	912,642
Principal Purposes of Expenditures					
Expenses	$ 4,946,908	$ 4,586,189	$ 4,338,274	$ 3,993,328	$ 3,728,725
Compensation*	2,626,546	2,433,492	2,274,055	2,111,924	2,059,954
Other operating	1,588,172	1,474,822	1,390,513	1,286,588	1,106,791
Space-related	732,190	677,875	673,706	594,816	561,980

** Compensation includes the non-service-cost components of net periodic benefit costs.*

Massachusetts Institute of Technology Five-Year Trend Analysis (Unaudited) – Financial Highlights (continued)

(in thousands of dollars)	2025	2024	2023	2022	2021
Sponsored Support					
Campus					
Federal government sponsored:					
Health and Human Services	$ 198,396	$ 185,205	$ 163,298	$ 148,837	$ 138,873
Department of Defense	143,828	137,975	134,214	140,341	131,960
Department of Energy	95,876	93,453	89,876	82,583	71,983
National Science Foundation	118,794	119,902	118,456	107,600	95,052
National Aeronautics and Space Administration	40,829	38,714	38,062	40,331	36,199
Other Federal	37,198	72,301	36,838	35,107	24,481
Total Federal	634,921	647,550	580,744	554,799	498,548
Non-Federally sponsored:					
State/local/foreign governments	32,967	27,554	26,729	29,341	28,469
Foundations	91,792	84,125	87,040	85,743	76,109
Other nonprofits	48,970	57,724	49,246	37,907	36,568
Industry	184,699	192,705	189,477	176,585	191,367
Total Non-Federal	358,428	362,108	352,492	329,576	332,513
Total Federal and non-Federal	993,349	1,009,658	933,236	884,375	831,061
F&A and other adjustments	(75,496)	(76,179)	(115,275)	(38,415)	(20,628)
Total Campus	917,853	933,479	817,961	845,960	810,433
Lincoln Laboratory					
Federal government sponsored	1,472,534	1,322,231	1,192,218	1,111,075	1,085,592
Non-Federally sponsored	23,562	28,571	28,753	24,258	23,638
F&A and other adjustments	(20,004)	16,426	(346)	(15,513)	8,772
Total Lincoln Laboratory	1,476,092	1,367,228	1,220,625	1,119,820	1,118,002
SMART *					
Non-Federally sponsored	27,206	24,162	24,424	22,069	28,690
Total SMART	27,206	24,162	24,424	22,069	28,690
Total Sponsored Support	**$ 2,421,151**	**$ 2,324,869**	**$ 2,063,010**	**$ 1,987,849**	**$ 1,957,125**

* *The amounts represent research that has predominantly taken place in Singapore.*

Massachusetts Institute of Technology Five-Year Trend Analysis (Unaudited) – Financial Highlights (continued)

	2025	2024	2023	2022	2021
Students					
Undergraduate:					
Full-time	4,489	4,543	4,601	4,588	4,234
Part-time	46	33	56	50	127
Undergraduate applications:					
Applicants	28,232	26,914	33,767	33,240	20,075
Accepted	1,284	1,291	1,337	1,365	1,457
Acceptance rate	5%	5%	4%	4%	7%
Enrolled	1,098	1,091	1,136	1,177	1,070
Yield	86%	85%	85%	86%	73%
Freshmen ranking in the top 10% of their class	96%	97%	97%	99%	100%
Average SAT scores (math and verbal)	1,544	1,539	1,543	1,538	1,539
Graduate:					
Full-time	7,194	7,163	7,024	7,199	6,766
Part-time	157	181	177	97	127
Graduate applications:					
Applicants	37,409	34,655	33,991	37,798	30,699
Accepted	3,894	3,935	3,906	3,834	4,448
Acceptance rate	10%	11%	11%	10%	14%
Enrolled	2,439	2,305	2,380	2,339	2,284
Yield	63%	59%	61%	61%	51%
Tuition *(in dollars)*					
Tuition and fees	$ 62,396	$ 60,156	$ 57,986	$ 55,878	$ 53,450
Average room and board	20,280	19,390	18,790	18,100	16,000
Student Support *(in thousands of dollars)*					
Undergraduate tuition support	$ 183,596	$ 175,930	$ 173,868	$ 163,555	$ 159,206
Graduate tuition support	398,721	386,456	355,961	337,507	324,181
Fellowship stipends	89,567	80,936	68,840	55,243	51,793
Student employment	157,318	161,081	151,579	149,517	140,441
Total student support	**$ 829,202**	**$ 804,403**	**$ 750,248**	**$ 705,822**	**$ 675,621**
Faculty and Staff*					
Faculty	1,090	1,089	1,080	1,069	1,064
Staff and fellows	16,400	16,091	15,247	14,653	15,121

***Headcount figures represent main campus- and Lincoln Laboratory-based personnel affiliated with MIT as of October 31. These include personnel, as well as individuals with unpaid appointments.*

Photo: Bob O'Connor

Report of the Treasurer

For the year ended
June 30, 2025

Massachusetts Institute of Technology