

Howard Hughes Medical Institute
Consolidated Financial Statements
for the years ended August 31, 2025 and 2024
and Report of Independent Auditors Thereon



Report of Independent Auditors

To the Trustees of Howard Hughes Medical Institute

Opinion

We have audited the accompanying consolidated financial statements of Howard Hughes Medical Institute and its subsidiaries (the "Institute"), which comprise the consolidated statements of financial position as of August 31, 2025 and 2024, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the 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.

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.

PricewaterhouseCoopers LLP

Washington, District of Columbia
November 20, 2025

HOWARD HUGHES MEDICAL INSTITUTE

Consolidated Statements of Financial Position

August 31, 2025 and 2024

(In thousands)

Assets	2025	2024
Cash and cash equivalents	\$ 586,919	\$ 371,614
Restricted cash (escrowed bond proceeds)	67,268	100,038
Due from brokers	4,292	4,292
Securities pledged as collateral	108,732	105,653
Securities lending collateral	59,029	12,085
Investment receivables	245,550	67,380
Investments and derivative assets	27,336,370	25,591,483
Deferred income taxes, net	110	110
Land, buildings, laboratory space, and equipment, net	759,927	784,741
Right-of-use assets, net	215,944	155,719
Other assets	113,622	103,781
Total assets	<u>\$ 29,497,763</u>	<u>\$ 27,296,896</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 165,615	\$ 156,504
Investment payables	91,115	40,504
Investments and derivative liabilities	34,291	44,842
Obligation to return securities lending collateral	59,029	12,085
Repurchase obligations	108,350	104,222
Grant commitments	70,196	101,886
Postretirement/employment obligations, net	202,758	188,736
Net bonds payable	935,242	932,957
Operating lease liabilities	212,897	154,167
Total liabilities	1,879,493	1,735,903
Net assets	<u>27,618,270</u>	<u>25,560,993</u>
Total liabilities and net assets	<u>\$ 29,497,763</u>	<u>\$ 27,296,896</u>

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

HOWARD HUGHES MEDICAL INSTITUTE

Consolidated Statements of Activities
For the Years Ended August 31, 2025 and 2024

(In thousands)

<u>Revenue</u>	2025	2024
Net investment return	\$ 3,079,828	\$ 2,447,282
Intellectual property and other income	38,112	22,714
Total revenue and investment return	3,117,940	2,469,996
<u>Expenses</u>		
Program activities		
Medical research	846,516	806,585
Science education, fellowships, and media programs	66,080	109,881
General and administrative	133,856	137,694
Deferred tax benefit, net	—	(110)
Total expenses	1,046,452	1,054,050
Change in net assets from operating activities	2,071,488	1,415,946
<u>Other changes</u>		
Other components of net periodic benefit cost	(14,211)	(32,043)
Total change in net assets	2,057,277	1,383,903
Net assets, beginning of year	25,560,993	24,177,090
Net assets, end of year	\$ 27,618,270	\$ 25,560,993

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

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Consolidated Statements of Cash Flows
For the Years Ended August 31, 2025 and 2024

(In thousands)	2025	2024
Change in net assets	\$ 2,057,277	\$ 1,383,903
<u>Adjustments to reconcile change in net assets to net cash used for operating activities</u>		
Depreciation and amortization	141,878	143,009
Amortization of operating lease right-of-use assets	52,412	47,229
Loss on disposal of assets	4,974	5,735
Income earned from stock dividends	(836)	31
Deferred tax provision	—	(110)
Net realized (gains) losses and change in unrealized (gains) losses on investments and derivative contracts	(2,910,626)	(2,253,185)
Change in receivables and other assets	(220,923)	(45,097)
Change in due from brokers	—	13,078
Change in securities pledged as collateral	(3,079)	45,025
Change in payables and accrued liabilities	(2,423)	(34,032)
Change in grant commitments	(31,689)	5,910
Change in postretirement/employment obligations	14,021	30,721
Net cash used for operating activities	(899,014)	(657,783)
<u>Cash flows from investing activities</u>		
Building and equipment purchases	(92,562)	(88,515)
Proceeds from sales, maturities of investments, and derivative contracts	9,204,200	8,449,343
Purchases of investments and derivative contracts	(8,034,216)	(7,614,129)
(Repayment) addition of securities lending collateral investments	(46,944)	(10,551)
Net cash provided by investing activities	1,030,478	736,148

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

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Consolidated Statements of Cash Flows
For the Years Ended August 31, 2025 and 2024

(In thousands)	2025	2024
<u>Cash flows used for financing activities</u>		
Repayments of repurchase obligations	4,127	(46,122)
Proceeds (repayments) of securities lending program	<u>46,944</u>	<u>10,551</u>
Net cash used for financing activities	<u>51,071</u>	<u>(35,571)</u>
Net increase in cash	182,535	42,794
Cash, cash equivalents, and restricted cash, beginning of year	<u>471,652</u>	<u>428,858</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 654,187</u>	<u>\$ 471,652</u>
<u>Supplemental disclosure of non-cash investing and financing activities</u>		
Accruals for equipment and construction costs included in <i>Accounts payable and accrued liabilities</i>	\$ 3,132	\$ 691
Operating lease assets and related liabilities	114,928	48,008
<u>Total cash, cash equivalents, and restricted cash</u>		
Cash	\$ 170,617	\$ 117,224
Cash equivalents	416,302	254,390
Restricted cash (escrowed bond proceeds)	67,268	100,038
Total cash, cash equivalents, and restricted cash	<u>\$ 654,187</u>	<u>\$ 471,652</u>

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

HOWARD HUGHES MEDICAL INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

1. ORGANIZATION

Howard Hughes Medical Institute ("HHMI" or the "Institute") was established for the purpose of promoting knowledge within the basic sciences, principally medical research and education, and the effective dissemination and application of this knowledge for the benefit of humanity. The Institute conducts basic biomedical research at its Janelia Research Campus (the "Campus") located in Loudoun County, Virginia, and at universities, hospitals, and other not-for-profit research institutions ("host institutions") throughout the U.S. under the terms of collaboration agreements.

In addition to its basic research activities, the Institute funds grants to institutions in support of a wide range of science and research-related initiatives, including precollege and undergraduate science education and pre- and post-doctoral research fellowships.

For many years, the Institute has created science education resources for use by classroom teachers and has distributed these broadly without charge. The Institute also has a science media initiative, Tangled Bank Studios, which develops, produces, and disseminates films and other science programming through a broad range of channels, and uses that content as an anchor for scientific engagement initiatives.

The Institute's investments are its principal source of financial support. The Institute's long-range investment goal is to manage the investments in a prudent manner that will support the Institute's programs in perpetuity. Most of the Institute's spending is on programs that involve long-term commitments: the Institute's medical research program at host institutions and the Janelia Research Campus, in which it makes multi-year employment, budget, and other spending commitments to its Investigators, Freeman Hrabowski Scholars, and other HHMI laboratory heads and the Institute's grant programs in which the Institute makes multi-year grant commitments for science education and to support research by scientists in the early stages of their academic careers. These attributes of the Institute's mode of operation present the need to balance longer-term investment growth, stable investment returns, and liquidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Institute's wholly-owned subsidiaries, which are used primarily in connection with investment activities. All intra-company transactions and accounts have been eliminated.

Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at amortized cost, which approximates fair value, and include both U.S. and non-U.S. currency and short-term interest-bearing marketable instruments with original maturities of 90 days or less from the initial purchase date. The purchases and sales of cash equivalents are not presented on the Consolidated Statements of Cash Flows. These balances are held at the Institute's custodians, prime brokers, clearing agents, and banking institutions for investment and working capital purposes.

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The total cash and cash equivalents maintained at various institutions exceeds the amount guaranteed by federal agencies and, therefore, bears some risk. The Institute has not experienced any loss due to this risk. Interest earned on cash and cash equivalents is recognized in *Net investment return* within the Consolidated Statements of Activities.

Foreign Currency Translation

Securities and cash denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Investment payables and receivables are valued using either spot or interpolated forward rates as applicable based on the expected settlement date. Purchases and sales of financial instruments, and their related income and expenses, are translated at the rate of exchange on the respective date of such transactions. The Institute includes realized gains/(losses) and unrealized appreciation/(depreciation) on investments and derivative financial instruments resulting from foreign currency changes in *Net investment return* on the Consolidated Statements of Activities. The Institute does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on securities and derivative contracts from the fluctuations arising from changes in market price of securities and derivative contracts held. Such fluctuations are included in *Net investment return*. The Institute may be exposed to risks that the exchange rate of the U.S. dollar relative to other currencies may change in a manner that has an adverse effect on the reported value of that portion of the Institute's assets or liabilities that is denominated in currencies other than the U.S. dollar.

Escrowed Bond Proceeds

The Institute issued \$160.0 million of tax-exempt bonds in September 2022. Use of these funds is restricted to refinancing certain taxable indebtedness and financing the planning, designing, renovating, expanding, and construction of research and operations support space at the Janelia Research Campus in Loudoun County, Virginia, plus any costs of issuing the bonds. Funds received from the initial issuance and any income from investments of these funds are maintained in a separate segregated trust account established by the Trustee. The Institute invests the funds on deposit in securities issued and explicitly guaranteed as to principal and interest by the U.S. or any agency or instrumentality thereof and repurchase agreements in respect of U.S. Government Securities.

Restricted Funds

The Institute generally does not accept donations or other contributions, but has made several exceptions, including accepting a very limited number of grants from other not-for-profit organizations to support specific research activities at the Janelia Research Campus. These grants entail restrictions on how the funds may be used. As a result, there are restrictions on net assets, which the Institute considers immaterial to its financial statements.

Intellectual Property

The Institute receives licensing fees and royalty income in connection with the commercialization of intellectual property created by its scientists. Licensing fees and royalty income are recorded as revenue in the Consolidated Statements of Activities as performance obligations are satisfied under the terms of the contracts.

In addition, the Institute may indirectly have equity interests in startup companies formed to commercialize inventions created by its Investigators and Freeman Hrabowski Scholars. Such equity interests are held in the host institution's name for the benefit of HHMI until the host institution disposes of that interest. As a result, recognition of value related to such equity interests is recorded only upon notification to HHMI by the host institution that its equity interest has been sold, and the Institute's share of the proceeds has been determined. No value for such equity interests is carried on the Consolidated Statements of Financial Position.

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The Institute may in the future directly hold equity or other interests in some startup companies formed to commercialize inventions created by its group leaders or other researchers at the Janelia Research Campus. In this event, the equity or other interests would be managed by the Institute's Investment Department and appropriately recorded in the consolidated financial statements.

Investments

Investments are presented at fair value in accordance with GAAP. When available, investments are valued based on quoted market prices. In cases where market quotations are not available, management relies on appraisals, assumptions, and other methods to estimate fair value. For certain alternative investments, management uses Net Asset Value ("NAV") as the practical expedient to determine fair value. The Institute's investment valuation policies are discussed in detail in Note 4.

Net realized gains and losses and the change in unrealized gains and losses are calculated using the average cost of investments and are recognized in *Net investment return* in the Consolidated Statements of Activities. Investment income, including interest, is accrued as earned. Dividend income is recorded on the ex-dividend date.

Derivatives, such as futures, options, swap contracts, and foreign currency forward contracts are recorded at fair value with the resulting gain or loss recognized in the *Net investment return* financial statement line item.

Land, Buildings, Laboratory Space, and Equipment

Costs of constructing and renovating laboratory space occupied by Investigators or other HHMI laboratory heads at host institutions are currently capitalized and amortized over the lesser of 5 years or the remaining appointment term of the Investigator or other HHMI laboratory head for whom renovations are being made. Buildings, building improvements, and equipment having a useful life of more than one year are capitalized. Interest paid on construction debt is capitalized as a component of the building cost. Repair and maintenance costs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Classification	Estimated Useful Life (years)
Equipment and furniture	5
Leasehold improvements	5-10
Land improvements	20
Buildings	35

Upon the sale or retirement of land, buildings, laboratory space, or equipment, the related cost and accumulated depreciation are removed from the Consolidated Statements of Financial Position and the resulting gains or losses are reflected in the Consolidated Statements of Activities.

Operating Leases

The Institute appoints and employs selected faculty members (Investigators and Freeman Hrabowski Scholars, collectively referred to as "Lab Heads") at host institutions and employs other personnel to conduct or facilitate the conduct of research at the site. The Institute determines the amount of laboratory and office space needed for its research, and under a collaboration agreement, makes direct payments to host institutions for the occupancy of space and certain host-provided services.

The Institute has determined that under GAAP, its occupancy arrangement with host institutions must be treated as operating leases. Consistent with this determination, at commencement of a Lab Head's

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term, the Institute measures and recognizes a right-of-use (“ROU”) asset, representing the Institute’s right to use the underlying asset (laboratory and office space), and a lease liability, representing the Institute’s obligation to make occupancy payments under the terms of the collaboration agreement with the Lab Head’s host institution. For purposes of recognizing ROU assets and lease liabilities associated with the Institute’s occupancy arrangements, the Institute elected the practical expedient to not recognize a ROU asset or lease liability for short-term occupancy arrangements, which are those with a term of twelve months or less.

The term of the collaboration agreement with the host institution is not defined as a fixed number of years; rather, at each host site the term extends for as long as the Institute continues to support one or more Lab Heads at that host site. In accordance with GAAP, the Institute determined that the lease terms should correspond to the terms of the Lab Heads. The term of an Investigator is currently seven years plus a two-year phase-out period, if the Investigator’s term is not renewed, with the phase-out occurring immediately subsequent to the expiring term. The Institute may renew Investigator appointments for additional terms with no limitation on the number of renewals. The Institute determined it is not reasonably certain it will renew the terms of any specific existing Investigators upon expiration of their current term, and therefore, renewal and termination options are not considered in determining a lease term. The term for a Freeman Hrabowski Scholar is currently five years and is renewable for a second five-year term.

The Institute has elected as a practical expedient not to separate non-lease components (e.g., utilities, janitorial service and maintenance) from lease components and applied this approach consistently to all host institutions. The Institute considers lease payments to include future cash payments from the Institute to the host institution directly associated with the occupancy of laboratory and office space during the remaining terms of the Lab Heads at that institution, inclusive of anticipated consumer price index adjustments.

The rates implicit within the Institute’s occupancy arrangement are generally not determinable, and therefore, the Institute’s collateralized borrowing rate is used to determine the present value of occupancy (lease) payments. The collateralized borrowing rate is subsequently reassessed if there is a modification to the occupancy-related provisions of the collaboration agreement.

Grant Commitments

The Institute awards grants for periods generally ranging from one to five years. The Institute in its discretion may defer an award, if requested by the awardee. Deferred awards continue to be unconditional commitments for which there are no additional contingencies and are included in the grant commitment liability as of August 31, 2025. For multi-year awards, grant commitments are recorded as expenses in the Consolidated Statements of Activities in the year the grant commitment is made, and the present value of the grant commitment liability is reflected in the Consolidated Statements of Financial Position. The discount rate used to arrive at the present value of future payments is based on the rates for U.S. Treasury Notes with maturities in the years in which the payments will be made.

Insurance

The Institute generally self-insures for property and casualty risks. Third party insurance is purchased from time to time in response to specific needs.

Income Taxes

The Institute is a public charity and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates. The Institute has estimated a provision for

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income taxes related to expected future unrelated business taxable income and net operating loss carryforwards expected to be utilized in future years.

Income taxes are reported under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Institute determines deferred tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent that these assets are more likely than not to be realized. In making such a determination, the Institute considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Institute records a valuation allowance against deferred tax assets to the extent that the Institute estimates that they are 50% or less likely to be realized. The Institute assesses the valuation allowance annually and any changes to the valuation allowance are recorded as a component of the provision for income taxes in the year recognized.

In accordance with the guidance on accounting for uncertainty in income taxes, management regularly evaluates its tax positions and does not believe the Institute has any uncertain tax positions that result in a material impact on the Institute's consolidated financial position or change in total net assets. The Institute is subject to routine audits by taxing jurisdictions. The Institute believes it is no longer subject to income tax examinations for fiscal years prior to the year ended August 31, 2021.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Institute's financial assets available within one year of the date of the Consolidated Statements of Financial Position for general expenditures, construction costs, liabilities, and other obligations as they come due are as follows:

(In thousands)

	August 31, 2025	August 31, 2024
Total assets	\$ 29,497,763	\$ 27,296,896
Less:		
Investments not available for redemption within one year	(16,897,642)	(14,844,772)
Right-of-use assets	(215,944)	(155,719)
Deferred income taxes, net	(110)	(110)
Prepaid expenses and other assets	(112,040)	(103,031)
Land, buildings, laboratory space, and equipment, net	<u>(759,927)</u>	<u>(784,741)</u>
Financial and other assets available to meet cash needs for general expenditures within one year	<u>\$ 11,512,100</u>	<u>\$ 11,408,523</u>

As part of the Institute's liquidity management, it has a policy to manage the endowment in a manner that will fund the programs and supporting functions in perpetuity and balance long-term growth with the need for stability of investment returns and liquidity. The Institute's investment approach for

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the endowment is governed by a risk-based asset framework that seeks to assure the sum of the parts is consistent with the Institute's long-term spending goals and tolerance for risk. The endowment's asset allocation framework consists of five Asset Classes: Private Equity, Public Equity, Independent Return, Real Assets, and Bonds & Net Cash, each with its own risk and return profile. The Institute's long-term investment goal for the endowment is to maximize investment returns without materially exceeding the risk inherent in its strategic benchmark, which consists of a portfolio invested 70% in the broad stock market and 30% in the bond market. As of August 31, 2025 and 2024, respectively, the Institute had approximately \$11.5 billion and \$11.4 billion of financial assets available within one year to meet cash needs for general expenditures, construction costs, liabilities, and other obligations as they come due. No financial assets are subject to restrictions that make them unavailable for general expenditure within one year of the date of the Consolidated Statements of Financial Position.

4. INVESTMENTS

The Institute elected to apply the fair value option of ASC 825, "Financial Instruments," to its portfolio of investments. As such, Investments, as shown on the Consolidated Statements of Financial Position, are presented at fair value in accordance with GAAP. The investment categories, valuation methodology, fair value hierarchy, and related commitments for fiscal years August 31, 2025 and 2024, are discussed below.

Investment Categories and Valuation Policy

Investments are categorized by asset class and valued as described below:

Equity investments primarily consist of direct ownership of public and private companies in the form of common stock. Investments in listed securities on exchanges are typically valued based on last quoted market prices on the last trading date of the principal market on or before August 31. Investments in private companies are valued based on the best available information in the circumstance and may require significant management judgment. The majority of the Institute's equity investments are publicly traded.

Fixed income securities primarily consist of actively traded debt instruments including U.S. Treasury Notes/Bonds/Bills, and private placement debt. Fixed income securities, excluding U.S. Treasury Bills, are valued by independent pricing sources, broker dealers or pricing models that factor in, where applicable, recently executed transactions, interest rates, bond or credit default spreads and volatility. The U.S. Treasury Bills are recorded at amortized cost, which approximates fair value. External investment managers primarily value certain private placement debt that is directly linked with equity ownership in alternative investments. These values are adjusted, if applicable, by management as described under *Valuation Methodology*. The U.S. Treasury issues the majority of the Institute's fixed income investments.

Preferred securities primarily consist of direct ownership of public and private companies in the form of preferred stock. Investments in publicly traded companies are valued based on readily available market quotations obtained from independent pricing sources. Investments in private companies with an available OTC market are valued using quotes from broker dealers or pricing models that factor in, where applicable, recently executed transactions, interest rates, bond or credit default spreads and volatility. Investments in private companies with no OTC market are valued based on the best available information in the circumstance and may require significant management judgment.

Convertible securities primarily consist of direct ownership of public and private companies in the form of preferred stock or bonds that contain a conversion covenant, usually into common stock. Investments in publicly traded companies are valued based on readily available market quotations

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obtained from independent pricing sources. Investments in private companies with an available OTC market are valued using quotes from broker dealers or pricing models that factor in, where applicable, recently executed transactions, interest rates, bond or credit default spreads and volatility. Investments in private companies with no OTC market are valued based on the best available information in the circumstance and may require significant management judgment.

Alternative investments represent interests in funds, limited partnerships, and other pooled vehicles. The Institute classifies these investments in the following sub-categories:

- *Private equity investments* include buyout, growth equity, venture capital, and other private equity-like investments. These investments are typically held to the term of the investment and have limited liquidity. Distributions from these investments are primarily received through liquidation of the underlying assets.
- *Independent return investments* include strategies that seek high absolute returns which are typically independent of broad market trends. Strategies in the asset class could include long/short strategies, market arbitrage strategies, fixed income with superior risk-adjusted returns, structured finance and distressed opportunities, among others. In most cases, these investments are redeemable at periodic intervals, however, in some cases these investments are held to the term of the investment and have liquidity from distributions that are primarily received through liquidation of the underlying assets.
- *Public equity investments* include equity funds that invest in primarily long public securities traded on major stock exchanges. In most cases, these investments are redeemable at periodic intervals.
- *Real asset investments* include both equity/debt private and public investments in real estate, infrastructure, commodity reserves and/or related infrastructure, energy-related, and other investments that are often secured by tangible assets with pricing power that will participate with inflation. Private real asset investments are typically held to the term of the investment and have limited liquidity. Distributions from these investments are primarily received through liquidation of the underlying assets. Public real asset investments are typically redeemable at periodic intervals.

The Institute has an active co-investment program. Investments held through this program are classified in one of the above alternative categories if they are structured as limited partnerships or other similar pass-through vehicles. If the Institute owns the co-investment directly, the investment is categorized as a private company investment in equity, fixed income, preferred securities, or convertible securities, as applicable.

The fair value of alternative investments is primarily based on the NAV reported or calculated by the respective external investment managers, fund administrators, or general partners and is adjusted, if applicable, as described under *Valuation Methodology*. Private company co-investments and funds that do not report NAV are valued based on the best available information in the circumstance and may require significant management judgment.

Derivatives are used by the Institute to manage its exposure to certain risks relating to ongoing business and investment operations. Derivatives may include futures contracts, OTC foreign currency forward contracts, options, contracts for difference, participatory contracts, and various swap contracts. The fair value of derivative investments is determined based on the type of derivative. Listed futures and options, and foreign currency forward contracts are valued by independent pricing sources. Contracts for difference and participatory notes are equity market access products and are

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typically valued based on changes in price of the underlying equity, adjusted for any financing costs. Swaps and other OTC derivatives are valued by the calculation agent of the contract, which is usually the counterparty to the contract, or by independent pricing sources where available, based on the terms of the contract and other observable inputs.

Valuation Methodology

Valuation techniques applied to the Institute's investments can include a combination of both observable and unobservable inputs. The Institute's investments in equities, fixed income securities, preferred securities and convertible securities are valued based on quoted market prices in active markets on a trade-date basis or by independent pricing sources, whenever available. Where such inputs do not exist, fair value measurements are based on the best available information such as broker quotes, models or other valuation methodologies that require varying degrees of judgment. NAV is used as a practical expedient in determining fair value for investments which (a) do not have a readily determinable fair value and (b) are an investment company as defined under ASC 946, *Financial Services – Investment Companies*, or have attributes of an investment company.

The Institute's external investment managers, fund administrators, and general partners in accordance with their policies as described in their respective financial statements and offering memoranda report the NAV. For certain investments, the most recent NAV reported is adjusted for cash flows and significant known valuation changes, if any, of its related portfolio through August 31, 2025 and 2024. Management reviews the valuation policies and financial reporting of managers and performs due diligence, as applicable, to obtain an understanding of the valuation processes used by the third party for suitability and appropriateness for use in the Institute's financial statements. Management believes the Institute's allocated share of the carrying amount of these alternative investments is a reasonable estimate of fair value. The majority of the Institute's alternative investments qualify for use of NAV as a practical expedient in accordance with ASC 820 – *Fair Values Measurements and Disclosures*.

For the remaining alternative investments, the Institute considers various factors to estimate fair value including the timing of the transaction, market factors, comparable transactions, company performance and company projections. The selection of an appropriate valuation technique may be affected by the availability and general reliability of relevant inputs. These fair value estimates are subject to the review and approval of the Institute's Valuation Committee.

The Institute's Valuation Committee is comprised of the Chief Investment Officer, the Managing Director - Head of Investment Operations, the Director, Investment Operations, and the Director, Investment Fund Services. The Institute's overall valuation methodology and its application is subject to review and oversight by the Valuation Committee, who meet quarterly to review and assess the valuation techniques applied and to consider new methodologies or recommend changes as appropriate. Once selected for an investment, valuation techniques are consistently applied. The Valuation Committee has sole authority to make overrides to the current valuation methodology or technique for a specific investment. A change in a valuation technique or its application will be made only if the change results in a measurement that management believes is more representative of fair value in the circumstance. Although the Valuation Committee believes its valuation methods are appropriate and consistent, these methods may produce a fair value estimate that may not be indicative of the ultimate net realizable value, or reflective of future fair values and such differences could be material.

Fair Value Hierarchy

The fair value hierarchy, as required by ASC 820, prioritizes the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source used in the valuation of an asset or

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liability as of the measurement date. It consists of observable and unobservable inputs at three levels. Observable inputs are based on market data obtained from sources independent of the reporting entity; unobservable inputs are based on the best information available in the circumstances.

- Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are from sources other than quoted prices that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, default rates, and market corroborated inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs for the asset or liability. They are used to measure fair value when observable inputs are not available, including situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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The following tables present the financial instruments carried at fair value as of August 31, 2025 and 2024:

August 31, 2025

(In thousands)

	Quoted Market Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents ¹	\$ 14	\$ 416,288	\$ —	\$ 416,302
Securities pledged as collateral	—	108,732	—	108,732
Investments:				
Equity	924,845	1,074	37,700	963,619
Fixed income securities	—	4,382,559	39,228	4,421,787
Preferred securities	—	466	23,388	23,854
Convertible securities	—	—	384	384
Alternative investments	—	—	37,020	37,020
Derivatives	600	9,477	—	10,077
Sub-total of investments	925,445	4,393,576	137,720	5,456,741
Alternative investments measured under the NAV-practical expedient				21,879,629
Total investments	925,445	4,393,576	137,720	27,336,370
Total	925,459	4,918,596	137,720	27,861,404
Deferred compensation plan assets	83,591	—	10,008	93,599
Total assets at fair value	\$ 1,009,050	\$ 4,918,596	\$ 147,728	\$ 27,955,003
Liabilities				
Investments and derivatives:				
Derivatives	\$ —	\$ 34,291	\$ —	\$ 34,291
Repurchase obligations	—	108,350	—	108,350
Total liabilities at fair value	\$ —	\$ 142,641	\$ —	\$ 142,641

¹ Cash equivalents are comprised of U.S. Treasury Bills and repurchase agreements with original maturities of 90 days or less.

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August 31, 2024

(In thousands)

	Quoted Market Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents ¹	\$ 23	\$ 254,367	\$ —	\$ 254,390
Securities pledged as collateral	—	105,653	—	105,653
Investments:				
Equity	1,302,476	381	38,802	1,341,659
Fixed income securities	—	4,414,214	4,359	4,418,573
Preferred securities	—	276	30,214	30,490
Convertible securities	—	—	502	502
Alternative investments	—	—	55,682	55,682
Derivatives	706	8,463	—	9,169
Sub-total of investments	1,303,182	4,423,334	129,559	5,856,075
Alternative investments measured under the NAV-practical expedient				19,735,408
Total investments	1,303,182	4,423,334	129,559	25,591,483
Total	1,303,205	4,783,354	129,559	25,951,526
Deferred compensation plan assets	74,806	—	8,708	83,514
Total assets at fair value	\$ 1,378,011	\$ 4,783,354	\$ 138,267	\$ 26,035,040

Liabilities

Investments and derivatives:

Derivatives	\$ 369	\$ 44,473	\$ —	\$ 44,842
Repurchase obligations	—	104,222	—	104,222
Total liabilities at fair value	\$ 369	\$ 148,695	\$ —	\$ 149,064

¹ Cash equivalents are comprised of U.S. Treasury Bills and repurchase agreements with original maturities of 90 days or less.

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The following tables present the activity for instruments classified within Level 3 of the fair value hierarchy for the years ended August 31, 2025 and 2024, respectively:

For the fiscal year ended as of August 31, 2025

(In thousands)

Fair value measurements using significant unobservable inputs (Level 3) on a recurring basis

	Deferred Compensation Funds	Investments						Sub-total of Investments	Totals
		Equity	Fixed Income Securities	Preferred Securities	Convertible securities	Alternative Investments			
As of September 1, 2024	\$ 8,708	\$ 38,802	\$ 4,359	\$ 30,214	\$ 502	\$ 55,682	\$ 129,559	\$ 138,267	
Purchases	957	—	37,565	—	—	—	37,565	38,522	
Sales	—	(265)	(2,981)	(3,000)	—	(21,343)	(27,589)	(27,589)	
Total gains (losses)	—	—	—	—	—	—	—	—	
Net realized gains (losses)	—	—	988	(570)	—	5,421	5,839	5,839	
Change in unrealized gains (losses)	343	(837)	(703)	(3,256)	(118)	(2,740)	(7,654)	(7,311)	
Transfers in	—	—	—	—	—	—	—	—	
Transfers out	—	—	—	—	—	—	—	—	
As of August 31, 2025	\$ 10,008	\$ 37,700	\$ 39,228	\$ 23,388	\$ 384	\$ 37,020	\$ 137,720	\$ 147,728	
Change in unrealized gains (losses) included in <i>Net investment return</i> for assets held at fiscal year end	\$ 343	\$ (838)	\$ (51)	\$ (4,777)	\$ (118)	\$ (8,196)	\$ (13,980)	\$ (13,637)	

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For the fiscal year ended as of August 31, 2024

(In thousands)

Fair value measurements using significant unobservable inputs (Level 3) on a recurring basis

	Deferred Compensation Funds	Investments						Sub-total of Investments	Totals
		Equity	Fixed Income Securities	Preferred Securities	Convertible securities	Alternative Investments			
As of September 1, 2023	\$ 9,503	\$ 29,143	\$ 4,273	\$ 37,741	\$ —	\$ 108,542	\$ 179,699	\$ 189,202	
Purchases	(1,160)	4,894	—	—	479	—	—	5,373	4,213
Sales	—	(4,895)	—	—	—	(30,543)	(35,438)	(35,438)	
Total gains (losses)	—	—	—	—	—	—	—	—	—
Net realized gains (losses)	—	—	—	—	—	20,861	20,861	20,861	
Change in unrealized gains (losses)	365	9,660	86	(7,527)	23	(43,178)	(40,936)	(40,571)	
Transfers in	—	—	—	—	—	—	—	—	
Transfers out	—	—	—	—	—	—	—	—	
As of August 31, 2024	\$ 8,708	\$ 38,802	\$ 4,359	\$ 30,214	\$ 502	\$ 55,682	\$ 129,559	\$ 138,267	
Change in unrealized gains (losses) included in <i>Net investment return</i> for assets held at fiscal year end	\$ 365	\$ 14,662	\$ 86	\$ (7,527)	\$ 23	\$ (43,178)	\$ (35,934)	\$ (35,569)	

The Level 3 tables above exclude those investments valued using NAV as the practical expedient as outlined in ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)*. Management regularly reviews and evaluates financial reporting investment levels and modifies them as necessary.

Level 3 Valuation Techniques and Unobservable Inputs

The following table summarizes the unobservable inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of August 31, 2025 and 2024, respectively. For each investment category and respective valuation technique, the range of the inputs is dependent on the nature and characteristics of the investment. The range of inputs listed below represent values as of the measurement date; however, these inputs may change over time, which may have a material effect on the valuation of these types of investments in the future.

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August 31, 2025

(In thousands)

Asset Class	Fair Value 2025	Valuation Techniques		Unobservable Inputs	Range of Inputs
Deferred compensation funds	\$ 10,008				
Equity	37,700	Discounted cash flow	Risk-adjusted discount rate	3.7% - 6.5%	
		Market multiple	Multiple of called capital	1.1x - 2.0x	
		Multiple of money		1.19x	
Fixed income securities	39,228	Multiple technique	EBITDA multiple	10.3x - 19.5x	
		Discounted cash flow	Discounted rate	12% - 21%	
			Revenue multiple	5.0x	
Preferred securities	23,388	Multiple technique	EBITDA multiple	10.3x	
		Market multiple	Multiple of money	1.19x	
		Multiple technique	EBITDA multiple	19.5x	
Convertible securities	384				
Alternative investments	37,020	Multiple technique	EBITDA multiple	19.5x	
		Market multiple	Multiple of invested capital	0.56x	
			Multiple of money	1.19x	
Total	\$ 147,728	Appraised value		Third party	
		Multiple technique	EBITDA multiple	7.5x	

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August 31, 2024

(In thousands)

Asset Class	Fair Value 2024	Valuation Techniques		Unobservable Inputs	Range of Inputs
Equity	Deferred compensation funds \$ 8,708	Discounted cash flow	Risk-adjusted discount rate	4.0% - 6.8%	
	38,802	Market multiple	Multiple of called capital	1.1x - 2.0x	
		Multiple of money		1.19x	
Fixed income securities	4,359	Multiple technique	EBITDA multiple	9.5x - 19.5x	
		Multiple technique	EBITDA multiple	9.5x - 15.4x	
Preferred securities	30,214	Market multiple	Multiple of money	1.19x	
		Multiple technique	EBITDA multiple	19.5x	
		Option pricing model	Risk-free interest rate	4.23%	
			Volatility	125.94%	
Convertible securities	502	Multiple technique	EBITDA multiple	19.5x	
		Market multiple	Multiple of invested capital	0.45x	
Alternative investments	55,682	Multiple of money		1.19x	
		Appraised value		Third party	
		Market comparables	EBITDA multiple	8.7x	
Total	<u>\$ 138,267</u>				

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Alternative Investments at NAV

The following tables summarize investments for which the Institute uses NAV as the practical expedient and the respective unfunded commitments and redemption terms as of August 31, 2025 and 2024, respectively:

August 31, 2025

(In thousands)

	Fair Value 2025	Unfunded Commitment	Redemption Terms & Restrictions
Private equity	8,197,016	2,672,349	Not redeemable and held for the life of the investment.
	125,767	29,143	Investments with revolving lockup provisions, or initial lockup provisions with semiannual gates, are redeemable with advance notice of 120-180 days prior to the next lockup expiration date or redemption date as applicable. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks. Where applicable, proceeds for private investments included in a redemption are not paid until the underlying private investment(s) are liquidated.
Independent return	1,557,095	560,712	Not redeemable and held for the life of the investment.
	3,644,607	150,000	Investments are redeemable on a periodic basis with advance notice of 5-100 days. Lockup provisions may include one-time or revolving terms ranging from 1-3 years. Investments may include fund or investor level gates ranging from 8.3% to 50% that limit the redemption amounts available at each redemption date. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks. Where applicable, proceeds for private investments included in a redemption are not paid until the underlying private investments are liquidated.
Public equity	6,328,541	135,324	Investments are redeemable on a periodic basis with advance notice of 15-180 days. Lockup provisions may include one-time or revolving terms ranging from 1-4 years. Investments may include fund or investor level gates ranging from 7.7% to 50% that limit the redemption amounts available at each redemption date. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks. Where applicable, proceeds for private investments included in a redemption are not paid until the underlying private investments are liquidated.
Real assets	410,616	—	Not redeemable and held for the life of the investment.
	1,445,391	937,950	Not redeemable and held for the life of the investment.
	170,596	—	Investments with expired one-time lockup or no lockup provisions are redeemable on a periodic basis with advance notice of 30 days. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks.
Total alternative investments NAV	<u>\$21,879,629</u>	<u>\$ 4,485,478</u>	

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August 31, 2024

(In thousands)

	Fair Value 2024	Unfunded Commitment	Redemption Terms & Restrictions
Private equity	\$ 7,085,503 248,902	\$ 2,657,008 48,744	Not redeemable and held for the life of the investment. Investments with revolving lockup provisions, or initial lockup provisions with semiannual gates, are redeemable with advance notice of 120-180 days prior to the next lockup expiration date or redemption date as applicable. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks. Where applicable, proceeds for private investments included in a redemption are not paid until the underlying private investments are liquidated.
Independent return	1,224,587 3,360,416	831,558 —	Not redeemable and held for the life of the investment. Investments are redeemable on a periodic basis with advance notice of 5-180 days. Lockup provisions may include one-time or revolving terms ranging from 1-3 years. Investments may include fund or investor level gates ranging from 8.3% to 50% that limit the redemption amounts available at each redemption date. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks. Where applicable, proceeds for private investments included in a redemption are not paid until the underlying private investments are liquidated.
Public equity	5,838,560	126,862 268,291	Investments are redeemable on a periodic basis with advance notice of 30-180 days. Lockup provisions may include one-time or revolving terms ranging from 1-5 years. Investments may include fund or investor level gates ranging from 8.3% to 50% that limit the redemption amounts available at each redemption date. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks. Where applicable, proceeds for private investments included in a redemption are not paid until the underlying private investments are liquidated. — Not redeemable and held for the life of the investment.
Real assets	1,566,065 143,084	397,147 —	Not redeemable and held for the life of the investment. Investments with expired one-time lockup or no lockup provisions are redeemable on a periodic basis with advance notice of 30 days. Redemption proceeds are generally payable within 30 days of the redemption date. Redemptions may be subject to audit holdbacks.
Total alternative investments NAV	<u>\$ 19,735,408</u>	<u>\$ 4,061,319</u>	

As noted above, the Institute has made contractual commitments to fund various investments. The Institute has unfunded commitments totaling approximately \$4.5 billion and \$4.1 billion to fund investments in non-public entities as of August 31, 2025 and 2024, respectively. Not included in the tables above are unfunded commitments of approximately \$22.3 million and \$21.7 million as of August 31, 2025 and 2024, respectively, related to investments valued using a method other than NAV. The Institute expects these commitments to be called over the next 1 to 7 years.

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Obligations under Master Repurchase Agreements

The Institute has entered into repurchase obligations as part of its overall investment strategy to manage its operational needs, lend fixed income securities and/or provide for leverage in fixed income trading. These repurchase agreements and related collateral, which consist of U.S. Treasury notes and bonds with maturity dates that range up to four years, are reflected in the Consolidated Statements of Financial Position as *Repurchase obligations* and *Securities pledged as collateral*, respectively. The Institute had the obligation to repurchase \$108.4 million of marketable securities for which the Institute had provided collateral of \$108.7 million to its counterparties as of August 31, 2025.

Obligations under Security Lending Agreements

The Institute may lend its securities to approved borrowers to earn additional income. A lending agent in accordance with a securities lending agreement administers the Institute's securities lending activities. Security loans generally do not have stated maturity dates, and the Institute may recall a security at any time. The Institute receives collateral in the form of cash, government debt securities, corporate debt securities, equity securities, and other types of securities as agreed to in the securities lending agreement. Collateral for loans of domestic securities and foreign securities that are denominated and payable in dollars are collateralized at a minimum of 102% and other foreign securities are collateralized at a minimum of 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the Institute the next business day. Cash collateral is invested in accordance with investment guidelines defined by the securities lending agreement. Additionally, the lending agent indemnifies the Institute against losses resulting from borrower default and against losses resulting from the investment of cash collateral in repurchase transactions resulting from counterparty default. Although risk is mitigated by the collateral and indemnification, the Institute could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, cash collateral and investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. The value of cash collateral was \$59.0 million and \$12.1 million as of August 31, 2025 and 2024, respectively. The market value of loaned securities was \$184.5 million and \$96.8 million as of August 31, 2025 and 2024, respectively, and are included in the Consolidated Statements of Financial Position in *Investments and derivative assets*. The market value of cash and non-cash collateral was \$195.6 million and \$104.3 million as of August 31, 2025 and 2024, respectively. Income from securities lending activities totaled approximately \$0.2 million and \$0.1 million for August 31, 2025 and 2024, respectively, and is included in *Net investment return*.

5. DERIVATIVES

The Institute invests in derivative financial instruments to control market risks, manage its portfolio exposure, reduce investment implementation costs, and enhance returns. Derivatives are recorded at fair value with the resulting gain or loss recognized in the Consolidated Statements of Activities. The Institute seeks to transact with counterparties that are operating under master netting agreements for derivative trades. These agreements may allow the Institute to offset amounts owed by the counterparty with amounts payable to the same counterparty. These agreements may permit net settlement of multiple transactions with that counterparty. As a result of investing in derivative financial instruments, the Institute is exposed to potential credit-related losses in the event of nonperformance by counterparties. The Institute limits its exposure by evaluating the creditworthiness of potential counterparties before investing.

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Swap, OTC option, forward contracts and other OTC derivative contracts expose the Institute to credit risk arising from the potential inability of counterparties to perform under the terms of the contracts. The notional amounts of these contracts do not represent the Institute's risk of loss due to counterparty nonperformance. The Institute's exposure to credit risk associated with counterparty nonperformance for these contracts is limited to the fair value of such contracts and any related collateral placed with the counterparty, after enforcing any master netting agreements with counterparties that allow the Institute to offset amounts owed by the counterparty with amounts payable to the same counterparty. As of August 31, 2025, the aggregate fair value of all derivative contracts by counterparty after applying netting arrangements and before including the effects of collateral that are in a net asset position is insignificant, thus the Institute's credit exposure to each counterparty is considered immaterial.

Derivatives contracts are subject to various risks similar to non-derivative instruments. For non-exchange traded derivatives under standard derivatives agreements, the Institute may be required to post collateral for initial margin and also variation margin in the event of a net liability position exceeding certain amounts with the counterparty. Additionally, the counterparty may, upon providing notice and allowing for any applicable cure period, terminate derivatives contracts if the Institute fails to maintain sufficient asset coverage for its contracts or its net assets decline by stated percentages. The Institute posted collateral as of August 31, 2025 and 2024, of approximately \$4.3 million and \$4.3 million, respectively, in the normal course of business and these amounts are included in *Due from brokers* on the Consolidated Statements of Financial Position. The Institute received no collateral related to derivatives contracts as of August 31, 2025 and 2024.

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The following tables present derivatives held as of August 31, 2025 and 2024, respectively, by their primary underlying risk exposure. These derivatives are not designated as hedging instruments under ASC 815, Derivatives and Hedging.

(In thousands)

Primary Risk Exposure	As of August 31, 2025		For the Year Ended August 31, 2025	
	Gross Derivative Assets	Gross Derivative Liabilities	Net Realized Gains/(Losses)	Change in Unrealized Gains/(Losses)
<u>Fixed income instruments</u>				
Fixed income futures	600	—	(5,638)	264
Interest rate swaps	9,477	31,661	—	11,575
Total fixed income instruments	10,077	31,661	(5,638)	11,839
<u>Currency instruments</u>				
Currency exchange	—	2,630	(6,107)	(380)
Total currency instruments	—	2,630	(6,107)	(380)
Total	\$ 10,077	\$ 34,291	\$ (11,745)	\$ 11,459

The above derivative assets and liabilities are included in *Investments and derivative assets* and *Investments and derivative liabilities*, respectively, on the Consolidated Statements of Financial Position. Net realized gains/(losses) and Change in unrealized gains/(losses) are included in *Net investment return* on the Consolidated Statements of Activities.

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(In thousands)

Primary Risk Exposure	As of August 31, 2024		For the Year Ended August 31, 2024	
	Gross Derivative Assets	Gross Derivative Liabilities	Net Realized Gains/(Losses)	Change in Unrealized Gains/(Losses)
<u>Equity Instruments</u>				
Equity futures	\$ —	\$ —	\$ (7,791)	\$ 3,041
Equity swaps	—	—	(25,999)	8,273
Total equity instruments	—	—	(33,790)	11,314
<u>Fixed income instruments</u>				
Fixed income futures	706	369	3,550	336
Equity swaps	—	—	—	(541)
Interest rate swaps	8,443	42,203	—	(13,531)
Total fixed income instruments	9,149	42,572	3,550	(13,736)
<u>Currency instruments</u>				
Currency exchange	20	2,270	2,259	(4,122)
Total currency instruments	20	2,270	2,259	(4,122)
Total	\$ 9,169	\$ 44,842	\$ (27,981)	\$ (6,544)

The above derivative assets and liabilities are included in *Investments and derivative assets* and *Investments and derivative liabilities*, respectively, on the Consolidated Statements of Financial Position. Net realized gains/(losses) and Change in unrealized gains/(losses) are included in *Net investment return* on the Consolidated Statements of Activities.

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The following tables reflect the Institute's net exposure to various counterparties subject to master netting agreements, where applicable, as of August 31, 2025 and 2024, respectively:

As of August 31, 2025

(In thousands)

	Gross Assets	Gross Liabilities	Net	Collateral Posted (Received)	Net Exposure
Counterparty A	\$ —	\$ 7,992	\$ (7,992)	\$ —	\$ (7,992)
Counterparty B	—	8	(8)	—	(8)
Counterparty F	—	13,450	(13,450)	—	(13,450)
Counterparty H	—	12,841	(12,841)	4,292	(8,549)
Counterparty J	9,477	—	9,477	—	9,477
Counterparty L	600	—	600	—	600
Total	<u>\$ 10,077</u>	<u>\$ 34,291</u>	<u>\$ (24,214)</u>	<u>\$ 4,292</u>	<u>\$ (19,922)</u>

The above derivative assets and liabilities are included in *Investments and derivative assets* and *Investments and derivative liabilities*, respectively, on the Consolidated Statements of Financial Position. Securities and cash collateral are included in *Due from Brokers* on the Consolidated Statements of Financial Position.

As of August 31, 2024

(In thousands)

	Gross Assets	Gross Liabilities	Net	Collateral Posted (Received)	Net Exposure
Counterparty A	\$ —	\$ 9,331	\$ (9,331)	\$ —	\$ (9,331)
Counterparty B	—	2	(2)	—	(2)
Counterparty F	—	19,623	(19,623)	—	(19,623)
Counterparty G	19	—	19	—	19
Counterparty H	—	15,515	(15,515)	4,292	(11,223)
Counterparty J	8,444	—	8,444	—	8,444
Counterparty L	706	369	337	—	337
Counterparty M	—	2	(2)	—	(2)
Total	<u>\$ 9,169</u>	<u>\$ 44,842</u>	<u>\$ (35,673)</u>	<u>\$ 4,292</u>	<u>\$ (31,381)</u>

The above derivative assets and liabilities are included in *Investments and derivative assets* and *Investments and derivative liabilities*, respectively, on the Consolidated Statements of Financial Position. Securities and cash collateral are included in *Due from Brokers* on the Consolidated Statements of Financial Position.

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Derivative notional amounts and values as of August 31, 2025 and 2024 are indicative of the Institute's exposure to derivatives for the years then ended.

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are over-the-counter contractual agreements primarily used to sell or buy certain amounts of foreign currencies to hedge foreign currency risk or for speculating for investment returns in the foreign currency market. The notional value of open forward contract purchases and sales totaled approximately \$0.1 million and \$143.9 million, respectively, as of August 31, 2025, and \$0.9 million and \$151.6 million, respectively, as of August 31, 2024.

Futures

Futures contracts are commitments to purchase or sell a financial instrument at a stated time and price in the future. They are generally used to increase or decrease exposure to a specific market or investment product. These contracts are settled daily to reflect the changes in their market values.

As of August 31, 2025 and 2024, the Institute had entered into various futures contracts with notional exposures as follows:

(In thousands)

	2025		2024	
	Buy	Sell	Buy	Sell
Fixed income	\$ 134,400	\$ —	\$ 426,878	\$ (127,328)
Total	\$ 134,400	\$ —	\$ 426,878	\$ (127,328)

Debt-Related Interest Rate Swaps

An interest rate swap is a derivative in which one party exchanges a stream of interest payments with another party's stream of cash flows. The Institute uses interest rate swap agreements to manage fixed or floating assets and liabilities. Under the terms of the current agreements, the Institute pays a fixed interest rate, determined at inception, and receives a variable rate on the underlying notional principal amount. Refer to Note 9 for information related to interest rates and interest expense on the bonds payable, note payable, and interest rate swaps.

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The following tables present the debt-related interest rate swaps including the notional amounts, fair values as of August 31, 2025 and 2024, respectively, and unrealized gains and losses for the years then ended:

August 31, 2025

(In thousands)

Debt-related interest rate swaps:	Termination Date	As of August 31, 2025		For the Year Ended August 31, 2025	
		Notional Amount	Gross Derivative (Assets)/ Liabilities ¹	Change in Unrealized Gains/ (Losses) ²	Fixed Rate ³
Janelia Research Campus Apartment B	June 1, 2043	\$ 33,130	\$ (2,547)	\$ 1,208	2.10%
Janelia Research Campus Apartment A	October 1, 2039	23,000	237	686	2.75%
Headquarters and conference center	November 1, 2036	76,500	6,448	1,688	3.48%
Headquarters and conference center expansion	March 1, 2038	83,500	5,759	2,388	3.30%
Janelia Research Campus	February 15, 2038	75,000	4,315	1,964	3.19%
	March 1, 2033	150,000	(6,931)	(174)	1.68%
	March 1, 2033	125,000	7,992	1,339	3.38%
	March 1, 2033	100,000	6,393	986	3.36%
	October 1, 2039	50,000	517	1,490	2.75%
Total		\$ 22,183		\$ 11,575	

¹ Gross derivative liabilities are included in *Investments and derivative liabilities* on the Consolidated Statements of Financial Position. Gross derivative assets are included in *Investments and derivative assets* on the Consolidated Statement of Financial Position.

² Unrealized gains on derivatives are included in *Net investment return* on the Consolidated Statements of Activities.

³ The variable interest rate is reset on a weekly basis.

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August 31, 2024

(In thousands)

Debt-related interest rate swaps:	Termination Date	As of August 31, 2024		For the Year Ended August 31, 2024	
		Notional Amount	Gross Derivative (Assets)/ Liabilities ¹	Change in Unrealized Gains/ (Losses) ²	Fixed Rate ³
Janelia Research Campus Apartment B	June 1, 2043	\$ 33,130	\$ (1,339)	\$ (665)	2.10%
Janelia Research Campus Apartment A	October 1, 2039	23,000	923	(464)	2.75%
Headquarters and conference center	November 1, 2036	76,500	8,136	(1,434)	3.48%
Headquarters and conference center expansion	March 1, 2038	83,500	8,147	(1,672)	3.30%
Janelia Research Campus	February 15, 2038	75,000	6,280	(1,413)	3.19%
	March 1, 2033	150,000	(7,105)	(3,589)	1.68%
	March 1, 2033	125,000	9,330	(1,750)	3.38%
	March 1, 2033	100,000	7,379	(1,537)	3.36%
	October 1, 2039	50,000	2,007	(1,009)	2.75%
Total		\$ 33,758	\$ (13,533)		

¹ Gross derivative liabilities are included in *Investments and derivative liabilities* on the Consolidated Statements of Financial Position. Gross derivative assets are included in *Investments and derivative assets* on the Consolidated Statement of Financial Position.

² Unrealized gains on derivatives are included in *Net investment return* on the Consolidated Statements of Activities.

³ The variable interest rate is reset on a weekly basis except for the note payable which is reset monthly.

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6. INVESTMENT RECEIVABLES AND PAYABLES

The following table presents the Institute's investment receivables and payables as of August 31, 2025 and 2024, respectively:

(In thousands)

	2025		2024	
	Receivables	Payables	Receivables	Payables
Securities pending settlement	\$ 105,865	\$ 81,877	\$ 14,879	\$ 38,368
Interest and dividends	24,685	—	27,501	—
Management fees	—	9,014	—	1,312
Fund subscription pending issuance	115,000	—	25,000	—
Other	—	224	—	824
Total	\$ 245,550	\$ 91,115	\$ 67,380	\$ 40,504

7. LAND, BUILDINGS, LABORATORY SPACE, AND EQUIPMENT

The following table presents the cost and accumulated depreciation and amortization of the Institute's investment in land, buildings, laboratory space, and equipment as of August 31, 2025 and 2024, respectively:

(In thousands)

	2025	2024
Land	\$ 92,139	\$ 92,139
Building/land improvements	882,930	875,932
Laboratory space and leasehold improvements	339,319	341,275
Equipment, furniture and fixtures	826,340	824,271
	<u>2,140,728</u>	<u>2,133,617</u>
Less: Accumulated depreciation and amortization	(1,471,066)	(1,403,889)
	<u>669,662</u>	<u>729,728</u>
Construction in progress	90,265	55,013
Total	\$ 759,927	\$ 784,741

Depreciation expense was approximately \$114.8 million and \$117.6 million for the years ended August 31, 2025 and 2024, respectively.

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8. LEASES

In accordance with GAAP, the Institute treats its occupancy arrangements for laboratory and office space for its Lab Heads at host institutions as operating leases. These leases have remaining terms of less than one year to seven years. The period which is subject to an option to extend or terminate occupancy arrangement is not included in the lease term as it is not reasonably certain the Institute will renew the terms or terminate any specific existing Lab Heads upon expiration of their term.

Operating leases of the Institute as of August 31, 2025 and 2024, respectively, are as follows:

(In thousands)	2025	2024
Right-of-use asset balance	\$ 215,944	\$ 155,719
Short-term liability balance	\$ 48,997	\$ 47,096
Long-term liability balance	163,900	107,071
Total liability balance	\$ 212,897	\$ 154,167

Operating lease cost included in <i>Medical research</i> on the Consolidated Statements of Activities	\$ 60,172	\$ 56,187
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Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows used in operating leases	\$ 61,696	\$ 56,554
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 114,928	\$ 48,008

(In thousands)	
Fiscal Year	Payments
2026	\$ 57,862
2027	52,768
2028	46,454
2029	31,277
2030	22,868
Thereafter	27,829
Total undiscounted lease liability	239,058
Imputed Interest	(26,161)
Total discounted lease liability	\$ 212,897

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The impact of lease costs related to finance leases and short-term leases was not material for the year ended August 31, 2025.

	2025	2024
Weighted-average remaining lease term (years)	4.95	4.13
Weighted-average discount rate	4.77%	5.77%

9. BONDS

Tax-Exempt Bonds Payable

On September 15, 2022, the Institute issued \$160.0 million of tax-exempt bonds through the Economic Development Authority of Loudoun County, Virginia ("EDA") to refinance taxable indebtedness of \$40.4 million related to the Janelia Commercial Property and to finance the planning, designing, renovating, expanding, and construction of research and operations support space at the Janelia Research Campus. The bonds carry a fixed interest rate of 4.00%, a yield to maturity of 4.11%, and a maturity date of October 1, 2052.

On June 6, 2019, the Institute issued \$51.8 million of tax-exempt capital appreciation bonds through the Economic Development Authority of Loudoun County, Virginia to finance the construction of a 101-unit apartment building at the Janelia Research Campus that is used by scientists and others engaged in research and administration there. The capital appreciation bonds represent bonds issued at a deep discount, which accrete or compound in value from the date of issuance to the date of maturity. The capital appreciation bonds are presented at their maturity value less the unaccrued appreciation. Unaccrued appreciation represents the difference between the maturity value of the debt and the face value and is accrued as interest expense over the life of the bonds. The maturity value of \$141.8 million less the unaccrued appreciation of \$78.0 million was \$63.8 million as of August 31, 2025. The bonds accrue interest at a fixed rate of 3.38%, a yield to maturity of 3.38%, and a maturity date of July 1, 2049.

On May 15, 2013, the Institute issued \$33.1 million of tax-exempt bonds through the Industrial Development Authority of Loudoun County, Virginia ("IDA") to finance the construction of an 86-unit apartment building at the Janelia Research Campus that is used by scientists and others engaged in research and administration there. The bonds carry a variable interest rate determined on a weekly basis and mature on June 1, 2043. The average variable interest rate on the bond was 2.82% and 3.45% for the years ended August 31, 2025 and 2024, respectively. The net composite interest rate on the bonds and interest rate swap for the years ended August 31, 2025 and 2024 was 1.83% and 1.90%, respectively.

On October 2, 2009, the Institute issued \$23.0 million of tax-exempt bonds through the IDA to finance the construction of a 60-unit apartment building at the Janelia Research Campus that is used by scientists and others engaged in research and administration there. The bonds carry a variable interest rate determined on a weekly basis and mature on October 1, 2039. The average variable interest rate on the bond was 2.83% and 3.46% for the years ended August 31, 2025 and 2024, respectively. The net composite interest rate on the bonds and interest rate swap for the years ended August 31, 2025 and 2024 was 2.47% and 2.56%, respectively.

On May 15, 2008, the Institute issued \$76.5 million of bonds through the Maryland Economic Development Corporation ("MEDCO") to refund \$76.5 million of outstanding bonds issued on November 8, 1990, to finance the construction of the Institute's headquarters and conference center

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complex. The bonds carry a variable interest rate determined on a weekly basis and mature on May 15, 2043. The average variable interest rate on the bond was 2.83% and 3.45% for the years ended August 31, 2025 and 2024, respectively. The net composite interest rate on the bonds and interest rate swap for the years ended August 31, 2025 and 2024 was 3.20% and 3.28%, respectively.

On February 21, 2008, the Institute issued \$83.5 million in tax-exempt bonds through MEDCO to finance the expansion of the Institute's existing headquarters and conference facilities. The bonds carry a variable interest rate determined on a weekly basis and mature on February 15, 2043. The average variable interest rate on the bond was 2.81% and 3.49% for the years ended August 31, 2025 and 2024, respectively. The net composite interest rate on the bonds and interest rate swap for the years ended August 31, 2025 and 2024 was 3.01% and 3.15%, respectively.

On February 27, 2003, the Institute issued \$500.0 million in tax-exempt bonds through the IDA to finance construction of the Janelia Research Campus. The bonds carry a variable interest rate determined on a weekly basis and mature on February 15, 2038. The average variable interest rate on the bonds was 2.82% and 3.40% for the years ended August 31, 2025 and 2024, respectively. The net composite interest rate on the bonds and interest rate swap for the years ended August 31, 2025 and 2024 was 2.54% and 2.61%, respectively.

Prior to the maturity of each of the variable rate tax-exempt bond issues, the Institute is obligated upon seven-day notice from a holder to redeem any or all bonds unless the remarketing agent is able to place the bonds with another party or hold them in their own portfolio. To date, no remarketing agents have failed to fulfill their obligations under their respective remarketing agreements. The Institute maintains sufficient cash and marketable securities to pay any bondholder redemption in part or in full the \$716.1 million outstanding as of August 31, 2025.

Interest Rate Swaps

All variable rate debt has been synthetically fixed using variable-to-fixed interest rate swaps. Refer to Note 5 for information related to the debt-related interest rate swaps.

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The following tables present bonds and note payables with their respective composite interest rates and interest expense for the years ended August 31, 2025 and 2024, respectively:

August 31, 2025

(In thousands)	As of August 31, 2025		For the Year Ended August 31, 2025	
	Calendar Year of Maturity	Outstanding Principal or Accrued Value	Average Composite Interest Rate ¹	Composite Interest Expense ²
<u>Tax-exempt bond payables:</u>				
Janelia Research Campus and Vivarium ³	2052	\$ 160,000	4.00%	\$ 6,024
Janelia Research Campus Apartment C ^{4,5}	2049	63,812	3.38%	2,103
Janelia Research Campus Apartment B	2043	33,130	1.83%	602
Janelia Research Campus Apartment A	2039	23,000	2.47%	571
Headquarters and conference center	2043	76,500	3.20%	2,452
Headquarters and conference center expansion	2043	83,500	3.01%	2,528
Janelia Research Campus	2038	500,000	2.54%	12,570
 Total bonds payable		939,942		26,850
Amortization of bond issuance costs		—		181
Unamortized bond issuance costs		(4,700)		—
 Net bonds payable		<u>\$ 935,242</u>		<u>\$ 27,031</u>

¹ Net composite rate on the bond and the interest rate swap.

² Interest expense includes interest expense on the bond and the related interest rate swap.

³ Life-to-date capitalized interest on the bond was approximately \$2.6 million as of August 31, 2025.

⁴ The Institute issued \$51.8 million of capital appreciation bonds in June 2019 at a fixed rate of 3.38%. The accreted value as of August 31, 2025 was \$63.8 million due to accretion from the date of issuance to August 31, 2025.

⁵ Life-to-date capitalized interest on the bond was approximately \$2.7 million as of August 31, 2025.

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August 31, 2024

(In thousands)	As of August 31, 2024		For the Year Ended August 31, 2024	
	Calendar Year of Maturity	Outstanding Principal or Accreted Value	Average Composite Interest Rate ¹	Composite Interest Expense ²
<u>Tax-exempt bond payables:</u>				
Janelia Research Campus Building A and Vivarium ³	2052	\$ 160,000	4.00%	\$ 5,656
Janelia Research Campus Apartment C ^{4,5}	2049	61,709	3.38%	2,034
Janelia Research Campus Apartment B	2043	33,130	1.90%	670
Janelia Research Campus Apartment A	2039	23,000	2.56%	605
Headquarters and conference center	2043	76,500	3.28%	2,518
Headquarters and conference center expansion	2043	83,500	3.15%	2,648
Janelia Research Campus	2038	500,000	2.61%	13,342
 Total bonds payable		937,839		27,473
Amortization of bond issuance costs		—		181
Unamortized bond issuance costs		(4,882)		—
 Net bonds payable		\$ 932,957		\$ 27,654

¹ Net composite rate on the bond and the interest rate swap.

² Interest expense includes interest expense on the bond and the related interest rate swap.

³ Life-to-date capitalized interest on the bond was approximately \$2.2 million as of August 31, 2024.

⁴ The Institute issued \$51.8 million of capital appreciation bonds in June 2019 at a fixed rate of 3.38%. The accreted value as of August 31, 2024 was \$61.7 million due to accretion from the date of issuance to August 31, 2024.

⁵ Life-to-date capitalized interest on the bond was approximately \$2.7 million as of August 31, 2024.

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The following table presents interest expense in total for the years ended August 31, 2025 and 2024, respectively:

(In thousands)

Interest expense	2025	2024
Bonds	\$ 28,339	\$ 32,695
Net interest rate swaps	(1,489)	(5,222)
Sub-total	26,850	27,473
Amortization of bond issue costs	181	181
Total for bonds	\$ 27,031	\$ 27,654

The following table presents total interest paid in cash for the bonds and note payable, interest rate swaps, and financing leases for the years ended August 31, 2025 and 2024, respectively:

(In thousands)

	2025	2024
Cash interest paid	\$ 26,922	\$ 24,947

The following table presents the future annual principal payments required for the bond payables as of August 31, 2025:

(In thousands)

Fiscal Year	Principal Payments
2026	\$ —
2027	—
2028	—
2029	—
2030	—
Thereafter	939,942

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10. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. These expenses are allocated to the programs (*Medical research and Science education, fellowships, and media programs*) or supporting activities (*General and administrative*) of the Institute and include employee benefits, postretirement/employment, and certain shared services. The basis for allocation of these expenses are compensation and estimates of time and effort. The majority of the Institute's expenses, including depreciation and interest, directly relate to the program or supporting function to which they are charged, and therefore are not allocated. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

Expense	Allocation Basis
Employee Benefits	Salaries and wages
Postretirement/employment	Salaries and wages
Certain Shared Services	Pre-defined rate per attendee or other cost driver

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The following table presents expenses grouped by nature and function for the year ended August 31, 2025:

(In thousands)	Program Services				Supporting Activities	
	Science		Education, Fellowships, and Media Programs		General and Administrative	August 31, 2025 Total Expenses
	Medical Research	Programs Subtotal	Programs Subtotal	General and Administrative		
Salaries and wages	\$ 310,155	\$ 19,195	\$ 329,350	\$ 47,973	\$ 377,323	
Benefits	69,247	7,329	76,576	11,439	88,015	
Postretirement/employment benefits	6,362	367	6,729	965	7,694	
Grants	12,528	16,400	28,928	—	28,928	
Supplies	85,067	1,340	86,407	586	86,993	
Laboratory supplies	47,036	—	47,036	—	47,036	
Professional services	59,433	10,652	70,085	15,530	85,615	
Rent and occupancy	60,918	—	60,918	19	60,937	
Property, equipment and maintenance	40,675	8	40,683	13,537	54,220	
Facility maintenance and services	11,513	1	11,514	12,092	23,606	
Utilities	7,318	—	7,318	1,555	8,873	
Telecommunications	662	3	665	1,442	2,107	
Travel and training	11,336	1,930	13,266	1,385	14,651	
Television and film	—	8,101	8,101	—	8,101	
Other	6,506	501	7,007	3,513	10,520	
Depreciation	104,005	253	104,258	10,544	114,802	
Interest	13,755	—	13,755	13,276	27,031	
Total functional expenses	<u>\$ 846,516</u>	<u>\$ 66,080</u>	<u>\$ 912,596</u>	<u>\$ 133,856</u>	<u>\$ 1,046,452</u>	

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The following table presents expenses grouped by nature and function for the year ended August 31, 2024:

(In thousands)	Program Services				Supporting Activities		August 31, 2024 Total Expenses			
	Science			General and Administrative						
	Medical Research	Education, Fellowships, and Media Programs	Programs Subtotal							
Salaries and wages	\$ 288,561	\$ 18,912	\$ 307,473	\$ 44,299	\$ 351,772					
Benefits	67,671	7,316	74,987	11,180	86,167					
Postretirement/employment benefits	5,454	350	5,804	827	6,631					
Grants	635	53,955	54,590	—	54,590					
Supplies	92,704	1,211	93,915	247	94,162					
Laboratory supplies	45,249	—	45,249	—	45,249					
Professional services	61,658	13,890	75,548	23,647	99,195					
Rent and occupancy	56,490	—	56,490	18	56,508					
Property, equipment and maintenance	31,802	121	31,923	12,395	44,318					
Facility maintenance and services	10,683	—	10,683	13,845	24,528					
Utilities	6,131	—	6,131	1,339	7,470					
Telecommunications	622	1	623	1,245	1,868					
Travel and training	11,405	2,950	14,355	1,751	16,106					
Television and film	4	9,600	9,604	1	9,605					
Other	5,487	1,489	6,976	3,727	10,703					
Depreciation	107,399	86	107,485	10,149	117,634					
Interest	14,630	—	14,630	13,024	27,654					
	806,585	109,881	916,466	137,694	1,054,160					
Deferred tax benefit, net	—	—	—	(110)	(110)					
Total functional expenses	\$ 806,585	\$ 109,881	\$ 916,466	\$ 137,584	\$ 1,054,050					

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. COMMITMENTS AND CONTINGENCIES

Grant Commitments

The following table presents the timing of the Institute's grant payments and the associated discount as of August 31, 2025:

(in thousands)	
Fiscal Year	Grant Payments
2026	\$ 42,022
2027	21,878
2028	10,523
Discount	(4,227)
Net Liability	<u><u>\$ 70,196</u></u>

Contractual Commitments

Contractual commitments pertaining to the planning, designing, renovating, expanding, and construction of a research and operations support space at the Janelia Research Campus totaled approximately \$31.8 million and \$8.1 million as of August 31, 2025 and August 31, 2024, respectively. Proceeds from the issuance of bonds and other revenues are expected to provide the necessary funding for these commitments.

12. EMPLOYEE BENEFITS

Defined Contribution Retirement Plan

The Institute has a defined contribution plan under section 403(b) of the Internal Revenue Code. The Institute's plan contributions on behalf of its employees were \$30.0 million and \$28.0 million for the years ended August 31, 2025 and 2024, respectively.

Deferred Compensation Plan

The Institute has an unfunded deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code. The fair value of the assets and related liability to employees as of August 31, 2025 and 2024 was approximately \$93.6 million and \$83.5 million, respectively, and is reflected in the Consolidated Statements of Financial Position within *Other assets* and *Accounts payable and accrued liabilities*.

13. POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

Postretirement Benefits

The Institute maintains a defined postretirement benefit plan that provides eligible participants with medical, prescription drug, vision, dental, and life insurance.

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The following tables present the postretirement plan's unfunded status and the amount of the projected postretirement benefit plan costs for the years ended August 31, 2025 and 2024:

(In thousands)

	2025	2024
Accrued Benefit Liability:		
Benefit obligation at beginning of fiscal year	\$ 230,857	\$ 197,318
Service cost	5,730	4,946
Interest cost	11,658	10,431
Participant contributions	2,062	2,102
Benefits paid from the trust	(11,562)	(8,748)
Direct benefit payments	(23)	(24)
Net actuarial loss ¹	4,063	24,832
Benefit obligation at end of fiscal year	<u>\$ 242,785</u>	<u>\$ 230,857</u>
 Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	\$ 42,225	\$ 39,651
Actual return on plan assets	1,510	3,220
Employer and participant contributions to plan	8,062	8,102
Employer direct benefit payments	23	24
Benefits paid from the trust	(11,562)	(8,748)
Direct benefit payments	(23)	(24)
Fair value of plan assets, end of year	<u>\$ 40,235</u>	<u>\$ 42,225</u>
 Reconciliation of funded status:		
Funded status	\$ (202,550)	\$ (188,632)
Current liabilities	—	—
Noncurrent liabilities	(202,550)	(188,632)
Net amount recognized in the Consolidated Statements of Financial Position	<u>\$ (202,550)</u>	<u>\$ (188,632)</u>

¹ The actuarial loss for the year ended August 31, 2025 for the postretirement benefit plan was primarily due to an increase in the short-term health care trend rate assumptions and annual claims costs assumptions, partially offset by an increase in the discount rate. The actuarial loss for the year ended August 31, 2024 for the postretirement benefit plan was primarily due to an increase in the short-term health care trend rate assumptions, with a decrease in the discount rate also a contributing factor to a lesser extent.

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(In thousands)

	2025	2024
Changes in plan assets and benefit obligations recognized in net assets:		
Net loss arising during the year	\$ 4,386	\$ 22,767
Amortization recognition of net loss	(4,386)	(22,767)
Total recognized in net assets	<u>\$ —</u>	<u>\$ —</u>
Components of net periodic benefit cost:		
Service cost	\$ 5,730	\$ 4,946
Interest cost	11,658	10,431
Expected return on plan assets	(1,833)	(1,155)
Immediate recognition of net actuarial loss	4,386	22,767
Net periodic benefit cost recognized ¹	<u>\$ 19,941</u>	<u>\$ 36,989</u>

¹ The components of net periodic benefit cost other than the service cost component are included in *Other components of net periodic benefit cost* in the Consolidated Statements of Activities.

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The following tables present the assumptions used in determining the benefit obligations and net periodic benefit cost as of August 31, 2025 and 2024, respectively.

	2025	2024
Weighted-average assumptions to determine benefit obligations:		
Discount rate	5.65%	5.15%
Health care cost trend rate		
Immediate trend rate	7.48%	6.11%
Ultimate trend rate	4.00%	4.00%
Year of ultimate trend rate	2050	2049
Assumptions to determine net periodic benefit cost:		
Discount rate	5.15%	5.40%
Health care cost trend rate		
Immediate trend rate	6.11%	6.06%
Ultimate trend rate	4.00%	4.00%
Year of ultimate trend rate	2049	2048
Expected return on assets	4.50%	3.00%

The net amount of projected benefit obligations and plan assets reflected in the Consolidated Statements of Financial Position was \$202.6 million and \$188.6 million as of August 31, 2025 and 2024, respectively.

(In thousands)

Information for postretirement plan with a projected benefit obligation in excess of plan assets

	2025	2024
Projected benefit obligation	\$ 242,785	\$ 230,857
Fair value of plan assets	40,235	42,225

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The postretirement benefits that are expected to be paid in each of the next five fiscal years, which reflects expected future service, and in the aggregate for the five fiscal years thereafter, are as follows:

(In thousands)		
Fiscal Year	Expected Benefit Payments	
2026	\$	10,123
2027		11,149
2028		12,208
2029		13,211
2030		14,186
2031 - 2035		83,042

Effective April 25, 2019, HHMI established a voluntary employee beneficiary association ("VEBA"), the Howard Hughes Medical Institute Retiree Welfare Benefit Plan Trust ("Trust"). The Trust is exclusively used to hold certain Institute contributions to be used for the payment of health benefits of certain of its retired employees and their spouses and dependents who are eligible for coverage. The Trust will be invested in a manner to meet the short-term liquidity demands relating to these obligations. The investment objectives are to preserve the principal of the Trust while obtaining a total rate of return commensurate with the level of assumed risk and liquidity requirements. Investments are limited to U.S. fixed income securities or funds of the same. The Institute's long-term strategic asset allocation guidelines given the Trust's long-term objectives and short-term constraints are summarized in the following table:

Asset Category	Policy Target	Target Range
Cash / Money Market	10%	0% - 30%
Domestic Fixed Income Funds	90%	40% - 100%

The Institute's contribution on behalf of its retirees was \$6.0 million and \$6.0 million for the years ended August 31, 2025 and 2024, respectively.

The following tables summarize the fair value of the Trust as of August 31, 2025 and 2024, respectively:

August 31, 2025

(In thousands)

Asset Category	Quoted Market Prices		
	(Level 1)	Total Fair Value	
Cash / Money Market	\$ 3,598	\$	3,598
Mutual Funds	36,637		36,637
Total	\$ 40,235	\$	40,235

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August 31, 2024

(In thousands)

Asset Category	Quoted Market Prices		Total Fair Value
	(Level 1)		
Cash / Money Market	\$ 5,328	\$ 5,328	
Mutual Funds	36,897		36,897
Total	\$ 42,225	\$ 42,225	

Access to group sponsored benefits are continued for employees who qualify for the Institute's long-term disability benefit for up to two years.

Postemployment Benefits

Under the Institute's Welfare Benefit Plan, an employee on Long-Term Disability (LTD) may continue certain health and welfare benefits (e.g. medical, prescription drug, vision, dental, life insurance, etc.) for a limited period postemployment. The net obligation for this plan reflected in the Consolidated Statements of Financial Position was \$0.2 million and \$0.1 million as of August 31, 2025 and 2024, respectively. The postemployment benefit cost was \$2.9 million and postemployment benefit credit was \$0.2 million for the years ended August 31, 2025 and 2024, respectively.

14. INCOME TAXES

The provision for income taxes consists of the following for the years ended August 31, 2025 and 2024, respectively:

(In thousands)	2025	2024
Deferred federal	\$ —	\$ 110
Deferred state	—	—
Deferred tax benefit, net	<u>\$ —</u>	<u>\$ 110</u>

Deferred income taxes, net consists of the following as of August 31, 2025 and 2024, respectively:

(In thousands)	2025	2024
Total net operating loss carryforward	\$ 80,493	\$ 88,863
Less: Valuation allowance	(80,383)	(88,753)
Deferred income taxes	<u>\$ 110</u>	<u>\$ 110</u>

Under the provisions of the Tax Cuts and Jobs Act, net operating loss carryforwards generated prior to the 2018 tax year may be applied toward future taxable unrelated business income generated from any unrelated business activity and will continue to expire over a period of twenty years. As of August 31, 2025, the Institute had estimated federal and state net operating loss carryforwards generated prior to the 2018 tax year of approximately \$410 million, which will expire at various dates from 2029 through 2037. These net loss carryforwards result in a deferred tax asset of \$62.6 million. Management determined that it is more likely than not that the benefits of some of the net operating

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loss carryforwards will not be realized in the future, and accordingly the Institute has provided a full valuation allowance of \$62.6 million related to these net operating loss carryforwards.

Net operating loss carryforwards generated in the 2018 tax year and future tax years may only be applied toward future taxable unrelated business income generated from the same business activity, are limited to 80% of the taxable unrelated business income generated in a single tax year, and no longer expire. As of August 31, 2025, the Institute had federal and state net operating loss carryforwards generated during and after the 2018 tax year totaling \$127.3 million related to five unrelated business activities resulting in a deferred tax asset of \$17.9 million. Management determined that it is more likely than not that the benefits of some of the net operating loss carryforwards will not be realized in the future, and accordingly the Institute has provided a valuation allowance of \$17.8 million related to these net operating loss carryforwards.

Net tax refunds due or received on income totaled approximately \$0.5 million and \$0.1 million for the years ended August 31, 2025 and 2024, respectively. Taxes paid on income totaled approximately \$0.8 million and \$0.2 million for the years ended August 31, 2025 and 2024, respectively.

15. MEDICAL RESEARCH ORGANIZATION

The Institute is classified as a medical research organization for federal income tax purposes under Section 170(b)(1)(A)(iii) of the Internal Revenue Code of 1986, as amended (the “Code”). The Institute is not a private foundation under Chapter 42 of the Code.

16. SUBSEQUENT EVENTS

Management performed an evaluation of all events through November 20, 2025, which is the date the financial statements are issued, noting no reportable subsequent events to be disclosed.