Statement of Financial Position

At April 30, 2000, the University’s (excluding Health Services Component and Independent Operations) total net assets (unrestricted, temporarily restricted and permanently restricted) were $4.3 billion. Plant assets, net of depreciation, increased $137.7 million, primarily as a result of expenditures incurred for the Perelman Quad, Sansom Common, Huntsman Hall, the Hamilton Square garage, the Quadrangle renovations and the new chiller. The significant increase in deferred income of $50.9 million is due to spring semester tuition and fees received through April 2000, which will be recognized as revenue over the remainder of the fiscal year.

Statement of Activities

Overall, net assets have decreased $3.1 million since the beginning of Fiscal Year 2000. This decrease is the result of a net loss on investments (both realized and unrealized) of about $152.6 million. This loss is comprised of net realized gains of $82 million offset by an unfavorable adjustment to fair value of $235 million. This represents an approximate 5.4% decline in the fair value of the University’s investments over the first ten months of this fiscal year. The FY 2000 results are due in large part to our domestic equity position. The efforts to restructure the University’s asset allocation in order to improve our investment returns are continuing aggressively. The decrease in net assets resulting from the investment loss was offset by the receipt of nonoperating gifts of $140.7 million, including a bequest from the Delaplaine Estate of $22.8 million.

The University recorded a $4.7 million increase in net assets from operations during the first ten months of FY 2000 as compared to a $19.3 million increase over the same period in FY 1999. Total revenue and other support increased 8.8% over the comparable period in FY 1999 to a total of $1.1 billion. Comparing FY 2000 to FY 1999, revenue from tuition and fees increased 5.8% to a total of $417 million. This increase is the result of the planned rate increase in tuition and fees, a slight increase in number of students enrolled and increases in other special program revenue. Direct grant student aid increased by 6.8%, reflecting the continuing commitment to need blind admissions. The increase in sponsored program revenue of 13.6%, as well as the 9.2% increase in total compensation, is a reflection of the continued increase in sponsored research activity that we have experienced for the last several years. In addition, the allocation of A.I.F. returns made available for operations increased 19.5% over the comparable period in FY 1999. This increase is primarily the result of the significant increase in the market value of the A.I.F. portfolio in recent years. The basis for the A.I.F. distribution is a percentage of the A.I.F. fair value over a three year moving average.

Statement of Cash Flows

Overall, cash and investments, available for operations, increased $67.1 million since the beginning of FY 2000. Net cash of $154.7 million was provided by operating activities, i.e. the day-to-day operations of the University. After adjusting for the change in the inter-entity receivable from the Health Services Component, the amount of cash provided by operating activities was about $9 million less in FY 2000 compared to FY 1999. Cash used by investing activities of $231.3 million primarily reflects the purchases of plant, property and equipment over the ten-month period. Net cash provided by financing activities of $143.7 million largely represents contributions received for endowment ($123.7 million) and capital improvements ($17.0 million).
### Total Return Performance

**March 31, 2000**

<table>
<thead>
<tr>
<th>Associated Investments Fund (AIF)</th>
<th>0.0%</th>
<th>-0.6%</th>
<th>0.0%</th>
<th>17.4%</th>
<th>14.6%</th>
<th>17.4%</th>
<th>AIF Composite (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Developed Equity</td>
<td>-3.1%</td>
<td>-1.5%</td>
<td>-7.7%</td>
<td>9.4%</td>
<td>3.6%</td>
<td>-15.0%</td>
<td>12.6%</td>
</tr>
<tr>
<td>International Equities</td>
<td>-1.3%</td>
<td>-2.4%</td>
<td>6.2%</td>
<td>21.0%</td>
<td>17.6%</td>
<td>14.3%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Global Developed Bonds</td>
<td>1.7%</td>
<td>3.7%</td>
<td>3.7%</td>
<td>2.3%</td>
<td>2.5%</td>
<td>1.7%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0.0%</td>
<td>4.9%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>0.0%</td>
<td>1.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Emerging Markets Equities</td>
<td>0.0%</td>
<td>5.4%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-0.0%</td>
<td>2.7%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>11.0%</td>
<td>11.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0.0%</td>
<td>-11.1%</td>
<td>-10.2%</td>
<td>-10.2%</td>
<td>-10.2%</td>
<td>-10.2%</td>
<td>-10.2%</td>
</tr>
<tr>
<td>Diversifying Assets</td>
<td>0.0%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>High Yield</td>
<td>0.0%</td>
<td>-2.4%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>0.0%</td>
<td>6.2%</td>
<td>11.0%</td>
<td>11.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

### Market Value (Total Endowment)

<table>
<thead>
<tr>
<th></th>
<th>03/31/00</th>
<th>06/30/99</th>
<th>06/30/98</th>
<th>06/30/97</th>
<th>06/30/96</th>
<th>06/30/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value (Total)</td>
<td>$3,191,718</td>
<td>$3,281,342</td>
<td>$3,059,401</td>
<td>$2,108,961</td>
<td>$1,459,559</td>
<td>$1,491,555</td>
</tr>
<tr>
<td>Market Value (AIF)</td>
<td>$3,281,342</td>
<td>$3,059,401</td>
<td>$2,108,961</td>
<td>$1,459,559</td>
<td>$1,491,555</td>
<td>$1,491,555</td>
</tr>
<tr>
<td>AIF Actual Return to Upstream Budget</td>
<td>$106,281</td>
<td>$97,195</td>
<td>$88,194</td>
<td>$50,887</td>
<td>$45,621</td>
<td>$45,621</td>
</tr>
</tbody>
</table>

---

1. Beginning 7/1/99, benchmarks listed above multiplied by benchmark allocation compute AIF Composite Index. Previously, Composite computed with moderately different benchmark allocations.
2. Wilshire 5000 Index used as benchmark beginning 3/1/00. Previously, S&P 500 Index was used as benchmark.
3. Actual return of Penn's Private Equity portfolio will be used as its benchmark until the portfolio matures, when Venture Economics 1/2 Buyout Index + 1/2 Venture Capital Index will be utilized.
## TOTAL RETURN PERFORMANCE
May 31, 2000

### Global Developed Equity:
- Domestic Equities
  - Quarter to Date: -0.4%, -0.3%
  - Calendar Year: -0.6%, -0.3%
  - Fiscal Year: 4.8%, -4.1%
  - One Year: -5.8%, 5.3%
- Int’l Equities
  - Quarter to Date: -10.6%, -7.7%
  - Calendar Year: -10.0%, -7.7%
  - Fiscal Year: -5.5%, 2.7%
  - One Year: -5.6%, 2.7%

### Global Developed Bonds:
- Fixed Income
  - Quarter to Date: 3.6%, 0.3%
  - Calendar Year: 3.9%, 13.9%
  - Fiscal Year: 0.3%, 17.9%
  - One Year: 10.7%, 10.9%
- Cash
  - Quarter to Date: 2.5%, 7.6%
  - Calendar Year: 2.9%, 7.6%
  - Fiscal Year: 17.5%, 17.5%
  - One Year: 17.5%, 17.5%

### Excess Return Assets:
- Emerging Markets Equities
  - Quarter to Date: -0.1%, -0.0%
  - Calendar Year: 1.6%, -0.0%
  - Fiscal Year: 5.7%, 3.5%
  - One Year: 10.6%, 3.5%
- Real Estate (4)
  - Quarter to Date: -1.2%, -1.0%
  - Calendar Year: -0.5%, 1.1%
  - Fiscal Year: 0.4%, 1.1%
  - One Year: 14.6%, 11.5%
- Private Equity (4)
  - Quarter to Date: 1.0%, 2.4%
  - Calendar Year: 5.2%, 12.3%
  - Fiscal Year: 0.5%, 4.5%
  - One Year: 5.4%, 4.5%

### Diversifying Assets:
- Absolute Return
  - Quarter to Date: -2.0%, 0.4%
  - Calendar Year: -2.0%, 0.4%
  - Fiscal Year: 4.4%, 0.4%
  - One Year: -4.8%, 0.4%
- High Yield
  - Quarter to Date: 1.4%, 0.8%
  - Calendar Year: 1.9%, 0.8%
  - Fiscal Year: 2.4%, 0.8%
  - One Year: 4.9%, 0.8%

### AIF Asset Allocation
- Quarter to Date: 53.4%, 53.9%
- Calendar Year: 52.7%, 53.9%
- Fiscal Year: 53.4%, 53.9%
- One Year: 53.9%, 53.9%

### AIF Benchmark Allocation
- Quarter to Date: 42.7%, 43.9%
- Calendar Year: 52.3%, 52.3%
- Fiscal Year: 50.8%, 50.8%
- One Year: 50.8%, 50.8%

---

(1) Wilshire 5000 Index used as benchmark beginning 3/1/00. Previously, S&P 500 Index was used as benchmark.

(2) Actual return of Penn’s Private Equity portfolio will be used as its benchmark until the portfolio is mature, when Venture Economics 1/2 Buyout Index + 1/2 Venture Capital Index will be utilized.

(3) Beginning 7/1/99, benchmarks listed above multiplied by benchmark allocation compute AIF Composite Index. Previously, Composite computed with moderately different benchmark allocations.

(4) Private investments are marked to market quarterly and therefore do not report monthly performance.