University of Pennsylvania
Financial Report
(Consolidated Academic Component)
for the period July 1, 2001 to June 30, 2002

Statement of Financial Position at June 30, 2002

♦ University's total net assets (unrestricted, temporarily restricted and permanently restricted) were $4.670 billion
  ♦ An increase of 1.99% or $91.2 million since June 30, 2001
♦ Amount reported in Cash and cash equivalents declined $136.8 million during FY 2002 due to reclassification of certain short term investments to Investments, at fair value - undesignated following implementation of the Common fund investment (average maturity greater than 90 days).
After aggregating cash and cash equivalents with Investments, at fair value - undesignated, total liquidity available for current operations increased $24.4 million since June 30, 2001
♦ Investments, at fair value - undesignated increased $161.2 million since June 30, 2001
♦ Investments, at fair value - designated increased $368.8 million since June 30, 2001
♦ Endowment (University only) - $2.878 billion compared to $2.841 billion at June 30, 2001
♦ Plant assets increased $116.6 million, since June 30, 2001, net of depreciation of $94.4 million
♦ Significant capital expenditures incurred during FY 2002 included:
  ♦ Huntsman Hall - $50.7 million
  ♦ Quadrangle renovations - $24.1 million
  ♦ Pottruck Fitness Center - $11.8 million
  ♦ Civic Center Garage - $8.7 million
  ♦ University Museum - $7.0 million
  ♦ Wharton West - $6.6 million
♦ Due from related entities decreased $24.9 million during FY 2002

Statement of Activities for the year ended June 30, 2002

♦ Overall, total net assets increased $91.2 million over the fiscal year, partly the result of the following non-operating activities:
  ♦ A net loss on investments (both realized and unrealized) of $88.4 million including a net realized loss of $73.1 million and an unfavorable adjustment to fair value of $15.3 million
  ♦ Non-operating contributions of $197.5 million including net contributions to the endowment totaling $152.1 million
  ♦ Income distributed for operations under the A.I.F. spending rule exceeded earned investment income by $40.8 million year to date
  ♦ Increase in net assets from operations totaled $17.0 million compared to a $42.3 million increase in FY 2001
  ♦ Total revenue and other support increased 7.1% over FY 2001 to a total of $1.614 billion.
  ♦ Revenue from tuition and fees, net of direct grants for student aid, increased 4.8%, reflecting the rate increase in tuition, a slight increase in graduate and professional enrollment and a decline in special program revenue
  ♦ Direct grant student aid increased to a total of $113.1 million or 11.3%, continuing the commitment to need blind admissions
  ♦ Sponsored program revenue including indirect cost recovery increased more than 15.2% reflecting the continuing growth in sponsored research activity
A.I.F. returns made available for operations increased 9.4% over the amounts allocated during FY 2001, primarily the result of the significant increase in the market value of the A.I.F. portfolio for years utilized in the Spending Rule formula (FY 1998 through 2000)

Revenue gains were dampened by revenue declines in Executive Education programs ($3.9 million), Campus Dining ($1.1 million) and Independent Operations (primarily University-owned hotels)

Total expenses increased 9.0% over FY 2001 to a total of $1.597 billion

Salaries increased by $60.1 million or 9.3% over FY 2001. Improvements in the process for estimating salary related accruals accounted for $2.0 million of the increase. The remaining increase was due primarily to increased sponsored program activities, increased number of employees and general wage increases effective July 1, 2001

Benefit costs increased $43.4 million over FY 2001 or 27.0% due to increased plan costs, primarily medical costs, and an increase in the number of employees.

Depreciation grew .5% as a result of the opening of the Perelman Quad and the substantial completion of other significant capital projects

Favorable variances to FY 2002 include reduced interest expense on variable rate indebtedness ($5.1 million reduction) due to lower interest rates and lower utilities expense ($13.6 million reduction) due to favorable weather, successful conservation efforts and improved market pricing

Statement of Cash Flows for the year ended June 30, 2002

Overall, Cash and cash equivalents decreased $136.8 million since June 30, 2001

Cash provided from operations totaled $170.0 million compared to $187.8 million in FY 2001

Net cash used by investing activities totaled $515.1 million, including $209.3 million used to acquire property, plant and equipment. Cash used to acquire property, plant and equipment declined $36.9 million over the prior twelve month period

Net cash provided by financing activities of $208.3 million primarily represents contributions received for endowment and capital improvements