Financial Report
UNIVERSITY OF PENNSYLVANIA

For the fiscal period ended March 31, 2003

CONSOLIDATED UNIVERSITY - (ACADEMIC & HEALTH SERVICES):

- Total net assets (unrestricted, temporarily restricted and permanently restricted) decreased $156.9 million or 3.0% to $5.0 billion, principally due to a net loss on investments both realized and unrealized.

- Net assets from operations increased $1.8 million compared to an decrease of $4.3 million for the prior nine-month period
  - Total operating revenue increased by $178.7 million or 7.3% to $2.623 billion
  - Total expenses increased by $172.7 million or 7.1% to $2.621 billion

- Net assets from non-operating activities declined $158.7 million compared to a gain of $118.8 million in the prior year, principally due to investment performance.

- Plant assets, net of depreciation, increased $58.3 million since June 30, 2002

- Cashflow from operating activities decreased slightly by $9.5 million over the comparable nine month period ended March 31, 2002

ACADEMIC COMPONENT:

- Total net assets decreased by $133.7 million or 2.9% since June 30, 2002 to $4.537 billion, principally due to a net loss on investments both realized and unrealized.

- Net assets from operations increased $6.4 million compared to an $13.0 million decrease for FY 2002
  - Total revenue and other support increased 8.9% over FY 2002 to a total of $1.261 billion, principally due to increases in tuition and fees, sponsored program activities and other income.
  - Total expenses increased 7.1% over FY 2002 to a total of $1.255 billion

- Non-operating activities declined by $140.0 million compared to a gain of $101.4 million in the comparable prior year period

- Contributions - both operating and non-operating - posted increases of $3.8 million and $27.8 million, respectively, an overall increase of $31.7 million or 23.2% over the nine month period ended March 31, 2002.
• Total endowment (University only) decreased from $2.841 billion at June 30, 2002 to $2.694 billion
• Plant assets, net of depreciation, increased $46.7 million since June 30, 2002
• Cashflow from operating activities decreased $15.9 million over the comparable nine month period ended March 31, 2002
• Cash held for current operations increased $97.1 million from the levels held at June 30, 2002

HEALTH SERVICES COMPONENT:
• At the four owned hospitals, overall utilization remained strong with adult inpatient admissions increasing 3.8% for the nine months ended March 31, 2003 and overall outpatient activity (includes outpatient visits, ambulatory surgeries, and ER visits) increasing as well.
• Total net assets decreased $23.3 million or 4.8% since June 30, 2002 to $462.5 million
  o Year-to-date excess of revenues over expenses from operations totaled $3.1 million and was lower than the prior fiscal year by $8.2 million, principally due to unfavorable third party settlements of $13.5 million.
  o Year-to-date excess of revenue over expenses totaled $22.0 million and was lower than the prior year by $27.1 million. This decline was driven by both the unfavorable third party settlements and the receipt of a large unrestricted bequest in FY 2002, which did not recur in the current fiscal year.
  o Year-to-date operating revenue of $1.382 billion was favorable to the comparable prior year period by $81.7 million (6.3%), principally due to growth in patient activity.
  o Total operating expenses of $1.379 billion was higher than the comparable prior year period by $90.0 million (7.0%), principally due to higher compensation and supply expenses related to growth in volume.
  o Non-operating revenue totaled $18.9 million which was $18.9 million (50.0%) lower than the comparable prior-year period, due principally again to the bequest received in the prior fiscal year.
• Plant assets, net of depreciation, increased $11.5 million since June 30, 2002
• Overall unrestricted liquidity declined slightly from the period ended June 30, 2002 as days-cash-on-hand declined from 86.6 to 75.3 days.
• Days-in-accounts-receivable remained consistent at 76.5 days.