Financial Report

UNIVERSITY OF PENNSYLVANIA

For the seven months ending January 31, 2004

(with comparison to the prior seven month fiscal period, unless otherwise noted)

(The following information represents the unaudited results for the period.)

CONSOLIDATED UNIVERSITY - (ACADEMIC & HEALTH SYSTEM):

• Total net assets (unrestricted, temporarily restricted and permanently restricted) increased $401.9 million (+7.5%) to $5.730 billion since June 30, 2003.

• Net assets from operations decreased $4.4 million compared to a decrease of $5.8 million for the prior fiscal year.

• Total operating revenue increased by $148.7 million (+7.3%) to $2.189 billion.

• Total expenses increased $147.4 million (+7.2%) to $2.194 billion.

• Net assets from non-operating activities increased by $406.4 million compared to a loss of $117.5 million in the prior year, principally due to improved investment performance.

• Total endowment as of January 31, 2004 is estimated at $3.924 billion, an increase of $377 million since June 30, 2003.

• Plant assets, net of depreciation, increased $25.3 million (+0.9%) since June 30, 2003.

• Cashflow from operating activities increased by $26.4 million (+10.2%) as compared to the prior fiscal year.

ACADEMIC COMPONENT:

• Total net assets increased $339.7 million (+7.0%) to $5.171 billion principally due to investment activity.

• Net assets from operations decreased $32.8 million compared to a $6.2 million increase for the prior fiscal year, principally due to improvements in the expense accrual process relative to last fiscal year.

• Total revenue and other support increased 3.9% over FY 2003 to a total of $1.022 billion, principally due to growth in sponsored program activities and tuition and fees.

• Total expenses increased 7.9% over FY 2003 to a total of $1.055 billion.
• Net assets from non-operating activities increased $372.4 million compared to a loss of $101.8 million in the prior fiscal year.

• Total contributions (operating and non-operating) declined $39.7 million (-27.4%).

• Total endowment (University only) increased $353.1 million (+11.7%) to $3.371 billion since June 30, 2003.

• Plant assets, net of depreciation, increased $30.4 million (+1.5%) since June 30, 2003.

• Cashflow from operating activities increased $43.6 million (+20.2%) compared to the prior fiscal year.

• Cash and investments held for current operations increased $141.0 million (+30.0%) compared to the levels held on June 30, 2003.

HEALTH SYSTEM COMPONENT:

• At the four owned hospitals, overall utilization remained strong with adult inpatient admissions increasing 3.4% compared to the prior fiscal year and an overall increase in outpatient activity of 2.9% (includes outpatient visits, ER visits and ambulatory surgeries).

• Total net assets increased $62.2 million (+12.5%) since June 30, 2003 to $559.1 million.

• Operating revenue of $1.181 billion was favorable compared to prior year results by $112.7 million (+10.6%) principally due to growth in patient activity, an increase in charges and intensity of service, favorable third party settlements and restoration of Medicaid Community Access Funds.

• Total operating expense of $1.147 billion was higher than the comparable prior year period by $69.9 million (+6.5%), principally due to higher compensation costs and increased supply expenses related to growth in volume.

• Excess of revenues over expenses from operations totaled $33.9 million and was higher than the prior fiscal year by $42.8 million.

• Non-operating revenue totaled $14.5 million, which was $3.9 million (-21.1%) lower than the comparable prior-year period.

• Excess of revenue over expenses (before transfers) totaled $46.8 million and was higher than the prior year by $40.1 million.

• Plant assets, net of depreciation, decreased $5.1 million (-0.8%) since June 30, 2003.

• Overall unrestricted liquidity declined from the period ended June 30, 2003 as days-cash-on-hand declined from 78.5 to 65.2 days due to an increase in accounts receivable and growth in operating expenses.
• The amount due the University decreased from $7.8 million to $6.9 million consistent with our internal agreement.

• Days-in-accounts-receivable increased from 73.6 days (for the period ending June 30, 2003) to 77.7 days due to HIPAA billing related data set conversion issues, which are anticipated to be solved by year end.