Financial Report
UNIVERSITY OF PENNSYLVANIA

For the nine months ending March 31, 2004
(with comparison to the prior nine 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 $492.1 million (+9.2%) to $5.821 billion since June 30, 2003.
- Net assets from operations decreased $0.2 million compared to an increase of $9.7 million for the prior fiscal year.
- Total operating revenue increased by $185.9 million (+7.1%) to $2.818 billion.
- Total expenses increased $195.7 million (+7.5%) to $2.818 billion.
- Net assets from non-operating activities increased by $492.3 million compared to a loss of $166.6 million in the prior year, principally due to improved investment performance.
- Total endowment as of March 31, 2004 is estimated at $3.988 billion, an increase of $441 million since June 30, 2003.
- Plant assets, net of depreciation, increased $28.0 million (+1.0%) since June 30, 2003.
- Cashflow from operating activities increased by $64.4 million (+24.9%) as compared to the prior fiscal year.

ACADEMIC COMPONENT:

- Total net assets increased $406.8 million (+8.4%) to $5.238 billion principally due to investment activity.
- Net assets from operations decreased $30.7 million compared to a $14.5 million increase for the prior fiscal year, principally due to improvements in the expense accrual process relative to last fiscal year, increases in direct grant student aid and declines in operating gifts.
- Total revenue and other support increased 3.5% over FY 2003 to a total of $1.313 billion, principally due to growth in sponsored program activities and tuition and fees.
- Total expenses increased 7.1% over FY 2003 to a total of $1.344 billion.
- Net assets from non-operating activities increased $437.5 million compared to a loss of $148.2 million in the prior fiscal year, principally due to investment gains.
- Total contributions (operating and non-operating) declined $26.2 million (-15.6%).
- Total endowment (University only) increased $410.8 million (+13.6%) to $3.428 billion since June 30, 2003.
- Plant assets, net of depreciation, increased $30.9 million (+1.5%) since June 30, 2003.
- Cashflow from operating activities increased $42.0 million (+22.2%) compared to the prior fiscal year.
- Cash and investments held for current operations increased $105.5 million (+21.9%) 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 3.6% compared to the prior fiscal year and an overall increase in outpatient activity of 4.7% (includes outpatient visits, ER visits and ambulatory surgeries).
- Total net assets increased $85.3 million (+17.2%) since June 30, 2003 to $582.2 million.
- Operating revenue of $1.524 billion was favorable compared to prior year results by $141.8 million (+10.3%) principally due to growth in patient activity, an increase in charges and intensity of service, favorable third party settlements and restoration of Medical Education, Community Access and Outpatient Disproportionate Share funds from the Commonwealth.
- Total operating expense of $1.485 billion was higher than the comparable prior year period by $105.9 million (+7.7%), principally due to higher compensation costs and increased supply expenses related to growth in volume.
- Excess of revenues over expenses from operations totaled $38.9 million and was higher than the prior fiscal year by $35.9 million.
- Non-operating revenue totaled $17.6 million, which was $4.1 million (-19.1%) lower than the comparable prior-year period.
- Excess of revenue over expenses (before transfers) totaled $56.8 million and was higher than the prior year by $34.8 million.
- Plant assets, net of depreciation, decreased $2.9 million (-0.5%) 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 72.9 days due to an increase in accounts receivable and growth in operating expenses.

• The inter-company liability amount due the University totaled $6.6 million consistent with our internal agreement.

• Days-in-accounts-receivable increased from 73.6 days (for the period ending June 30, 2003) to 76.8 days due to HIPAA billing related data set conversion issues, which are anticipated to be resolved by year end.