Financial Report
UNIVERSITY OF PENNSYLVANIA
For the three months ending September 30, 2004
(with comparison to the prior three 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 $31.2 million (+0.5%) to $5.919 billion since June 30, 2004.
- Net assets from operating activities increased $7.1 million compared to a decrease of $13.3 million for the prior fiscal year.
- Total operating revenue increased by $57.3 million (+6.3%) to $965.8 million.
- Total expenses increased $37.0 million (+4.0%) to $958.7 billion.
- Net assets from non-operating activities increased $24.2 million, as compared to a gain of $93.9 million in the prior year, due to current fiscal year investment performance.
- The total endowment value as of September 30, 2004 is $4.001 billion, a decrease of $17 million since June 30, 2004.
- Plant assets, net of depreciation, increased $20.4 million (+0.8%) since June 30, 2004.
- Cashflow from operating activities increased by $103.9 million (+106%) as compared to the prior fiscal year.

ACADEMIC COMPONENT:

- Total net assets decreased $7.7 million (-0.1%) to $5.298 billion driven by a decline in investment performance, partially offset by increased operating revenues and flat expense growth.
- Net assets from operations increased $1.2 million compared to a $22.0 million decrease for the prior fiscal year.
- Total revenue and other support increased $23.4 million (5.3%) over FY 2004 to a total of $462.7 million led by increased sponsored program revenue (including indirect cost recoveries).
- Total expenses of $461.5 million were consistent with FY 2004 levels due to the timing of employee benefit and grant sub-contract expenditures.

- Net assets from non-operating activities decreased $8.9 million compared to a gain of $84.9 million in the prior fiscal year, principally due to a decline in investment performance.

- Total contributions (operating and non-operating) increased $16.5 million (+62.0%) led by gifts to endowment.

- The total endowment value (University only) decreased $10.2 million (-0.3%) to $3.438 billion since June 30, 2004.

- Plant assets, net of depreciation, increased $23.7 million (+1.1%) since June 30, 2004.

- Cashflow from operating activities increased $48.5 million (+57.6%) compared to September 30, 2003 results to a total of $132.7 million.

- Cash and investments held for current operations increased $66.2 million (+12.8%) compared to the levels held on June 30, 2004.

**HEALTH SYSTEM COMPONENT:**

- Utilization remained strong at the three owned hospitals as year-to-date adult admissions, led by surgical admissions, increased by 254 (+1.4%) compared to the prior fiscal year. Outpatient activity increased 1.9% (includes outpatient visits, ER visits and ambulatory surgeries) over prior-year activity.

- Total unrestricted net assets increased $41.0 million (+21.2%) since June 30, 2004 to $235.1 million due to positive operating performance and gains recognized on the sale of the Phoenixville Hospital.

- Operating revenue of $512.3 million was favorable compared to prior year results by $35.5 million (+7.4%).

- Total operating expense of $501.2 million was higher than the comparable prior year period by $36.9 million (+7.9%).

- Excess of revenues over expenses from operations totaled $11.1 million and was lower than the prior fiscal year by $1.4 million (-11.2%).

- Non-operating revenue totaled $4.5 million which was $2.7 million (-37.8%) lower than the comparable prior-year period.

- The sale of Phoenixville Hospital is reported in the Non-Operating section under Discontinued Operations. Approximately $34 million of debt was retired with the proceeds from the sale. After the retirement of debt and repayment of other obligations, cash proceeds from the transaction are estimated to total $53 million.
• Excess of revenue over expenses (before transfers) totaled $48.7 million and was higher than the prior year by $29.9 million.

• Plant assets, net of depreciation, decreased $3.3 million (-0.6%) since June 30, 2004.

• Overall unrestricted liquidity improved from the period ended June 30, 2004 as days-cash-on-hand increased from 81.4 to 92.9 days driven by the Phoenixville Hospital transaction and to revenue cycle enhancements.

• The inter-company liability due the University totaled $7.1 million, which is consistent with our internal agreement.

• Days-in-accounts-receivable decreased from 71.2 days to 66.8 days for the period ending June 30, 2004 (excluding the impact of Phoenixville Hospital).