Financial Report

UNIVERSITY OF PENNSYLVANIA

For the nine months ending March 31, 2005

(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 $414.5 million (+7.0%) to $6.302 billion since June 30, 2004.

• Net assets from operating activities increased $43.7 million compared to a decrease of $8.5 million for the prior fiscal year.

• Total operating revenue increased by $240.0 million (+8.8%) to $2.976 billion.

• Total expenses increased $187.9 million (+6.8%) to $2.932 billion.

• Net assets from non-operating activities increased $370.8 million, as compared to a gain of $500.6 million in the prior fiscal year.

• The total endowment value as of March 31, 2005 is $4.308 billion, an increase of $289 million since June 30, 2004.

• Plant assets, net of depreciation, increased $19.6 million (+0.7%) since June 30, 2004.

• Cashflow from operating activities increased $136.4 million compared to the prior fiscal year.

ACADEMIC COMPONENT:

• Total net assets increased $319.5 million (+6.0%) to $5.626 billion driven by investment performance, non-operating contributions and increased operating revenues.

• Net assets from operations increased $6.8 million compared to a $28.7 million decrease for the prior fiscal year.

• Total revenue and other support increased $94.2 million (+7.2%) over FY 2004 to a total of $1.409 billion led by sponsored program revenue (including indirect cost recoveries), tuition and fees (net of student aid) and increased contributions.
- Total expenses increased $58.7 million (+4.4%) over FY 2004 to a total of $1.402 billion primarily due to an increase in current expenses and salaries/wages (including grant and non-grant funded).
- Net assets from non-operating activities increased $312.7 million, as compared to a gain of $435.5 million in the prior fiscal year.
- Total contributions (operating and non-operating) increased $107.8 million (+76.0%) led by gifts to endowment.
- The total endowment value (University only) increased $275.8 million (+8.0%) to $3.724 billion since June 30, 2004.
- Plant assets, net of depreciation, increased $18.9 million (+0.9%) since June 30, 2004.
- Cashflow from operating activities increased by $9.9 million (+4.6%) as compared to the prior fiscal year.
- Cash and investments held for current operations increased $127.5 million (+24.6%) compared to the levels held on June 30, 2004.

HEALTH SYSTEM COMPONENT:

- Compared to the prior year, adult admissions were 2.1% higher (+1,117), which includes an 8.7% increase (+1,589) in surgical admissions. Outpatient activity, which includes outpatient visits, ER visits and ambulatory surgeries, declined 0.5% (-7,380).
- Total unrestricted net assets increased $75.5 million since June 30, 2004 to $269.5 million due to positive operating performance and the gain recognized on the sale of the Phoenixville Hospital.
- Operating revenue of $1.591 billion was higher than the comparable prior-year period by $143.7 million (+9.9%).
- Total operating expense of $1.541 billion was higher than the comparable prior-year period by $129.6 million (+9.2%).
- Excess of revenues over expenses from operations totaled $50.0 million which was $14.0 million (+39.0%) higher than the prior year results.
- Non-operating revenue totaled $21.7 million which was $4.2 million (+23.8%) higher than the comparable prior-year period.
- Excess of revenue over expenses (before transfers) totaled $96.1 million and was higher than the prior year by $39.3 million (+69.1%).
- Plant assets, net of depreciation, increased $0.7 million to $589.0 million since June 30, 2004.
• Overall unrestricted liquidity improved from the period ended June 30, 2004, as days-cash-on-hand increased from 81.4 days to 108.2 days.

• The inter-company liability due the University totaled $5.2 million which compares favorably to the $6.8 million balance of June 30, 2004.

• Days-in-accounts-receivable decreased to 51.8 days from 71.2 days for the period ending June 30, 2004.