Financial Report

UNIVERSITY OF PENNSYLVANIA

For the twelve year ending June 30, 2006

(with comparison to the prior fiscal year, unless otherwise noted)

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

CONSOLIDATED UNIVERSITY - (ACADEMIC & HEALTH SYSTEM):

- Total net assets (unrestricted, temporarily restricted and permanently restricted) increased $940.3 million (+14.7%) to $7.328 billion since June 30, 2005.
- Net assets from operating activities increased $239.4 million compared to an increase of $77.0 million for the prior fiscal year.
- Total operating revenue increased by $386.0 million (+9.5%) to $4.432 billion.
- Total expenses increased $223.6 million (+5.6%) to $4.193 billion.
- Net assets from non-operating activities increased $700.9 million as compared to a gain of $423.2 million in the prior fiscal year.
- The total endowment value as of June 30, 2006, is $5.166 billion, a $797 million increase over June 30, 2005.
- Plant assets, net of depreciation, increased $148.3 million (+5.4%) since June 30, 2005.
- Cashflow from operating activities equaled $713.5 million compared to $508.3 million in the prior fiscal year.

ACADEMIC COMPONENT:

- Total net assets increased $623.7 million (+10.9%) to $6.353 billion driven by investment performance, contributions and operating performance.
- Net assets from operations increased $69.1 million compared to a $40.1 million increase for the prior fiscal year.
- Total revenue and other support increased $124.5 million (+6.5%) over FY 05 to a total of $2.041 billion led by tuition and fees, operating investment income, other income, and sponsored program revenue (including indirect cost recoveries).
- Total expenses increased $95.5 million (+5.1%) over FY 05 to a total of $1.972 billion primarily due to an increase in salaries/wages (including grant and non-grant funded) and current expenses.
• Net assets from non-operating activities increased $554.6 million as compared to an increase in net assets of $383.0 million in the prior fiscal year.

• Total contributions (operating and non-operating) increased $32.4 million (+9.9%).

• The total endowment value (University only) increased $651.0 million (+17.3%) to $4.415 billion since June 30, 2005.

• Plant assets, net of depreciation, increased $89.2 million since June 30, 2005.

• Cashflow from operating activities equaled $333.0 million compared to $186.2 million in FY05, an increase of $146.8 million (+78.8%).

• Cash and investments held for current operations decreased $77.8 million (-87.3%) compared to the levels held on June 30, 2005 due to the transfer of TIF balances to AIF.

HEALTH SYSTEM COMPONENT:

• Adult Admissions were 2.7% below budget (-2,046), but were slightly higher than prior year results (+467) led by increases in Ob/Gyn (+450) and Surgical Services (+350).

• Total unrestricted net assets increased $276.8 million since June 30, 2005 to $526.7 million primarily due to positive operating performance and strong investment performance.

• Operating revenue of $2.398 billion was higher than the comparable prior-year period by $240.3 million (+11.1%).

• Total operating expense of $2.216 billion was higher than the comparable prior-year period by $132.1 million (+6.3%).

• Excess of revenues over expenses from continuing operations (net of SOM support) totaled $163.2 million which is $90.1 million (+123.2%) higher than the prior year results.

• Unrestricted non-operating revenue totaled $57.6 million which is $25.1 million (+77.4%) higher than the comparable prior-year period.

• Unrestricted excess of revenue over expenses (before transfers) totaled $227.3 million and was higher than the prior year by $100.5 million (+79.2%).

• Plant assets, net of depreciation, increased $59.1 million to $653.9 million since June 30, 2005.

• Overall unrestricted liquidity improved from the period ended June 30, 2005, as days-cash-on-hand increased from 110.2 days to 159.6 days.

• Days-in-accounts-receivable decreased to 37.1 days from 46.8 days for the period ending June 30, 2005.