Financial Report

UNIVERSITY OF PENNSYLVANIA

For the nine months ending March 31, 2007

(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 $969.4 million (+13.2%) since June 30, 2006 to $8.293 billion.
- Net assets from operating activities increased $220.5 million, a 39.1% increase over the prior fiscal year results ($158.6 million).
- Total operating revenue increased by $238.8 million (+7.3%) to $3.492 billion.
- Total expenses increased $176.8 million (+5.7%) to $3.271 billion.
- Net assets from non-operating activities increased $748.9 million as compared to a gain of $649.3 million in the prior fiscal year.
- The total endowment value as of March 31, 2007 is $6.195 billion, a $1.029 billion (+19.9%) increase over June 30, 2006.
- Plant assets, net of depreciation, increased $113.2 million (+3.9%) since June 30, 2006.
- Cashflow from operating activities equaled $414.0 million, a 7.2% decline from the prior fiscal year.

ACADEMIC COMPONENT:

- Total net assets increased $649.2 million (+10.2%) to $7.002 billion since June 30, 2006 led by non-operating investment gains, contributions and higher tuition and fees.
- Net assets from operations increased $16.9 million compared to a $20.0 million increase for the prior fiscal year.
- Total operating revenue and other support increased $63.1 million (+4.3%) over FY06 to a total of $1.541 billion led by tuition and fees (net of student aid), operating investment income and contributions.
- Total operating expenses increased $66.2 million (+4.5%) over FY06 to a total of $1.524 billion primarily due to an increase in compensation and current expenses.
• Net assets from non-operating activities, which increased $632.2 million as a result of strong investment gains, were also favorable to prior year results (+$92.3 million).

• Total contributions (operating and non-operating) of $174.1 million represent a $77.0 million (-30.7%) decrease from the prior year.

• The total endowment value (University only) increased $775.3 million (+17.6%) since June 30, 2006 to $5.190 billion.

• Plant assets, net of depreciation, of $2.266 billion were $10.8 million (+0.5%) higher than June 30, 2006.

• Cashflow from operating activities totaled $164.0 million for the first nine months of FY07, a decrease of $0.8 million over FY06 results.

• Cash and investments held for current operations decreased $53.1 million (-10.9%) over June 30, 2006 levels to $432.5 million.

HEALTH SYSTEM COMPONENT:

• Year-over-year adjusted admissions increased 6,534 (+8.4%) to 84,022.

• Total unrestricted net assets increased $281.5 million since June 30, 2006 to $803.4 million primarily due to strong operating performance and investment performance and the recording of a non-recurring gain.

• Total operating revenue of $1.944 billion was 9.6% higher (+$169.5 million) than the comparable prior-year period driven by higher inpatient and outpatient activity and outpatient rate improvements.

• Total operating expense of $1.736 billion was 6.4% higher (+$104.8 million) than the prior-year primarily due to higher compensation and supply expense.

• Excess of revenues over expenses from operations (net of SOM support) of $186.4 million is $43.8 million (+30.7%) higher than the prior year results.

• Unrestricted non-operating revenue totaled $61.8 million, a $20.8 million (+50.5%) increase over the prior-year.

• The unrestricted excess of revenue over expenses (before transfers) totaled $286.7 million which was higher than the prior year by $81.8 million (+39.9%).

• Plant assets, net of depreciation, increased $102.4 million since June 30, 2006 to $756.3 million.

• Overall unrestricted liquidity improved as days-cash-on-hand as of March 31, 2007 equaled 181.0 days (159.2 days as of June 30, 2006).

• Days-in-accounts-receivable of 37.2 days for the period ending March 31, 2007 is consistent with the prior year end results of 37.1 days.