Financial Report

UNIVERSITY OF PENNSYLVANIA

For the Six months ended December 31, 2009.
(With comparison to the prior fiscal year, unless otherwise noted.)

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

Consolidated University Financial Performance (S. Golding)

- Total net assets increased from $7.561 billion as of June 30, 2009, to $8.349 billion as of December 31, 2009, an increase of $788.1 million (+10.4%).
- Total increase in net assets from operating activities of $139.7 million compared to a $90.5 million increase for FY09.
- Total operating revenue increased from $2.564 billion to $2.731 billion, or $167.2 million (+6.5%) for the six months ended December 31, 2009 as compared to the same period in FY09.
- Total operating expenses increased from $2.473 billion to $2.591 billion, or $118.0 million (+4.8%) for the six months ended December 31, 2009 as compared to the same period in FY09.
- Net assets from nonoperating activities increased $648.4 million for the six months ended December 31, 2009, as compared to a decrease of $1.314 billion in the same period of the prior fiscal year, as a result of positive investment performance.
- The total endowment value as of December 31, 2009 was $5.772 billion, a $601.4 million (+11.6%) increase over the value of $5.171 billion as of June 30, 2009.
- Year-to-date, expenditures for plant, property, and equipment decreased from $287.8 million in FY09 to $248.1 million, or $39.8 million (-13.8%) in FY10.
- Cash flow from operating activities totaled $197.4 million, a 3.9% increase over the prior fiscal year.

Academic Component Financial Performance (S. Golding)

- Total net assets increased by $556.9 million since June 30, 2009, from $6.398 billion to $6.955 billion, primarily due to net gain on investments (both realized and unrealized).
- Total increase in net assets from operating activities of $29.8 million compared to a $49.0 million increase for FY09.
- Total operating revenue and other support increased $14.4 million (+1.2%) from FY09 to a total of $1.169 billion.
- Total operating expenses increased $33.6 million (+3.0%) over FY09 to a total of $1.139 billion, primarily due to increased salary and benefits expense, driven by the general wage increase and increases in medical costs, retirement benefits, including early retirement programs, tuition benefits and pension expense.
- Net assets from nonoperating activities increased $527.1 million in the first six months of FY10 compared to a decrease of $1.060 billion during the same period in FY09.
- Contributions (operating and nonoperating) totaled $80.7 million in the first six months of FY10, a decrease of $37.9 million (-31.9%) from the prior fiscal year, driven by lower endowment and operating contributions due to a decline in gifts received as a result of current economic conditions.
- The total endowment value (Academic only) increased from $4.483 billion as of June 30, 2009 to $4.997 billion, or $514.0 million (+11.5%) as of December 31, 2009.
• Year-to-date, expenditures for plant, property, and equipment increased $26.6 million (+19.9%) from $133.5 million in FY09 to $160.1 million in FY10.
• Cash flow from operating activities totaled $41.8 million in FY10 compared to $150.8 million in FY09 primarily due to $87.9 million of Stafford loans sold in October 2008.
• Cash and equivalents increased $11.4 million (+2.7%) to $433.0 million from $421.6 million on June 30, 2009 and increased $40.8 million (+10.4%) compared to December 31, 2008.

Academic Component Budget Performance (B. Gibson)

• The University outperformed its operating budget through the second quarter, showing a $30 million increase in net assets, a positive variance to budget of $21 million.
• Revenues show a positive variance of $8.8 million, driven by strong performance in sponsored programs, which are up 11% over the prior year and 3.3% better than budget. The strength of sponsored programs offsets weaknesses in operating contributions (31% lower than December 31, 2008 and 9% lower than budget) and the Commonwealth Appropriation which was reduced by 21% from FY09.
• Expenditures are $12.7 million lower than budget. Total Compensation shows a slight negative variance, driven by higher than budgeted employee benefit costs, but even with the significant growth in sponsored research, salaries are up only 2.4% compared to December 31, 2008. Current expense is 1.7% less than December 31, 2008 and is 6.5% better than budget, a positive variance of $22 million.

Health System Performance (K. Kasper)

• Total net assets increased by $231.1 million (+19.9%) since June 30, 2009.
• Year-over-year adjusted admissions increased 2,565 (+4.4%) from 58,661 in FY09 to 61,226 in FY10.
• Total unrestricted net assets were $967.0 million as of December 31, 2009, a $192.6 million (+24.9%) increase from June 30, 2009 and $72.8 million (+8.14%) increase from December 31, 2008.
• Total operating revenue increased $156.0 million (+10.9%) from $1.429 billion as of December 31, 2008 to $1.585 billion as of December 31, 2009.
• Total operating expenses increased from $1.357 billion as of December 31, 2008 to $1.442 billion, an increase of $85.4 million (+6.3%) as of December 31, 2009.
• Excess of revenues over expenses from operations of $130.8 million as of December 31, 2009 is $71.6 million (+120.9%) higher than the prior year.
• Nonoperating income totaled $97.3 million as of December 31, 2009, as compared to nonoperating loss of $140.6 million in the prior year.
• Expenditures for plant, property, and equipment decreased from $170.9 million in December 31, 2008 to $107.8 million as of December 31, 2009, a $63.1 million decrease (-36.9%).
• Overall unrestricted cash, board designated funds and investments were $1.137 billion as of December 31, 2009, an increase of $129.8 million from June 30, 2009.