Financial Report

UNIVERSITY OF PENNSYLVANIA

For the six months ended December 31, 2011.
(With comparison to the prior fiscal year, unless otherwise noted.)

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

Consolidated University Financial Performance

- Total net assets decreased from $9.8 billion as of June 30, 2011, to $9.6 billion as of December 31, 2011, a decrease of $197 million (2.0%).
- Net assets from operating activities increased $166.3 million for the six month period ended December 31, 2011 compared to $121 million increase in the same period of the prior year.
- Total operating revenue increased from $2.8 billion to $3.05 billion, a $212 million (7.5%) increase for the six month period ended December 31, 2011 as compared to the same period in prior year.
- Total operating expenses increased from $2.72 billion to $2.89 billion, a $167 million (6.1%) increase for the six month period ended December 31, 2011 as compared to the same period in prior year.
- Net assets from non-operating activities decreased $363 million for the six month period ended December 31, 2011, as compared to an increase of $658 million in the same period in prior year, due to the downturn in equity markets.
- Year-to-date capital expenditures were $173 million for the six month period ended December 31, 2011 as compared to $192 million in the same period in prior year, a decrease of $19 million (9.9%).
- Cash flow from operating activities totaled $122 million for the six month period ended December 31, 2011, a 25.2% decrease from the same period in prior year.

Academic Component Financial Performance

- Total net assets decreased from $8.1 billion as of June 30, 2011 to $7.9 billion as of December 31, 2011, a decrease of $203 million (2.5%), primarily due to the downturn in equity markets.
- Net assets from operating activities increased $82.1 million for the six month period ended December 31, 2011, compared to a $37.2 million increase for the same period in prior year primarily due to receipt of two large gifts in FY12.
- Total operating revenue and other support increased $82 million (6.6%) from $1.24 billion the prior year to $1.31 billion this year to date.
- Total operating expenses increased $20.6 million (3.1%) over the same period in prior year, from $1.12 billion to $1.24 billion. This is primarily due to general wage increases effective July 1, 2011.
- Net assets from non-operating activities decreased $285 million for the six month period ended December 31, 2011 compared to an increase of $558 million for the same period in the prior year, primarily driven by the downturn in equity markets.
• Contributions (operating and non-operating) totaled $177.3 million, an increase of $63.8 million (56.2%) from prior year, with both operating and non-operating contributions increasing.
• Capital expenditures decreased 25.9%, from $162 million at December 31, 2010 to $120 million for the six month period ended December 31, 2011.
• Cash flow from operating activities totaled $72 million for the six month period ended December 31, 2011, compared to $82 million for the same period in prior year.
• Cash and cash equivalents decreased $91.3 million (16.6%) since June 30, 2011. This is primarily due to the investment of $150 million of operating cash into the AIF.

Academic Component Budget Performance
• Through the end of the second quarter the University showed an $82 million increase in net assets, $58 million better than budget.
• Although we are seeing the anticipated decline in sponsored research revenue as ARRA funding phases out, strong operating contributions and better than expected tuition revenue contributed to a positive revenue variance of $61 million (5%).
• Expenditures are within $3 million of budget, a negative variance of less than 0.5% with compensation savings offsetting higher than budgeted current expense.

Health System Performance
• Total net assets increased by 0.4%, from $1.708 billion as of June 30, 2011 to $1.714 billion as of December 31, 2011.
• Year-over-year adjusted admissions were higher than prior year at 63,268 as of December 31, 2011 compared to 61,196 as of December 31, 2010.
• Total unrestricted net assets were $1.298 billion as of December 31, 2011, a $34.5 million increase from June 30, 2011.
• Total operating revenue increased by $132.3 million (8.1%) from $1.631 billion as of December 31, 2010 to $1.763 billion as of December 31, 2011.
• Total operating expenses increased by $130.5 million (8.6%) from $1.523 billion as of December 31, 2010 to $1.653 billion as of December 31, 2011.
• Excess of revenues over expenses from operations of $110.7 million as of December 31, 2011 is $1.9 million (1.7%) higher than the same period in the prior year.
• Non-operating losses totaled $26.3 million as of December 31, 2011, as compared to non-operating income of $97.3 million for the same period of the prior year.
• Expenditures for plant, property and equipment increased from $51.3 million as of December 31, 2010 to $57.4 million as of December 31, 2011, a $6.1 million increase (11.9%).
• Overall unrestricted cash, board designated funds and investments were $1.549 billion as of December 31, 2011, a decrease of $67.0 million from June 30, 2011.