Financial Report

UNIVERSITY OF PENNSYLVANIA

For the twelve months ended June 30, 2013.

(The following information represents the audited results for the period)

Consolidated University

- Total net assets were $11.3 billion as of June 30, 2013, an increase of $1.6 billion over June 30, 2012 and $974 million above budget, driven largely by strong investment and operating performance.

- Net operating income for June 30, 2013, was $295 million, $45 million higher than June 30, 2012, and $170 million above budgeted net income. Total revenue was $104 million above budget and expenses were $66 million below budget.

- Investment performance was strong, with a fiscal year 2013 AIF return of 14.4% versus budgeted 6.5% and 1.6% for the prior fiscal year. Total investments were $9.25 billion, of which the endowment comprises approximately $7.7 billion.

- Cash and invested cash totaled $3.69 billion as of June 30, 2013, compared to a budget of $3.21 billion and $3.18 billion at June 30, 2012. Cash alone was $1.24 billion, compared to a budget of $970 million and $1.12 billion at June 30, 2012.

Academic Component

- Net operating income for the University (Academic Component) totaled $147 million, $78 million above the prior year and $136 million above budget. Strong operating contributions and the Juxtapid™ royalty monetization contributed to a $127 million (4.9%) positive revenue variance against budget, while expenditures were $9 million below budget.

- Total contributions – pledges and new gifts, both operating and non-operating – totaled $440 million, an increase of $62 million (16%) over the prior fiscal year, reflecting a successful culmination of the Making History campaign.

- Year-to-date capital expenditures increased from $218 million as of June 30, 2012, to $273 million for June 30, 2013, with increased expenditures on the Smilow Center for Translational Research and the Singh Center for Nanotechnology. Capital expenditures were $108 million below budget.
Health System

- Year-to-date net operating income (“operating margin”) for UPHS totaled $185 million, $32 million below the prior year-to-date results, but consistent with the budget. Total operating revenues were $3.501 billion against operating expenses of $3.316 billion. The focus on activity enhancement and cost control were successful over the last half of fiscal year 2013 contributing to the overall strong financial performance.

- Adjusted admissions of 125,224 were less than budget by 4% and declined by 2% from the prior year. Inpatient admissions declines of 4.9% from the prior year were the result of general market utilization declines and private practice physician changes. Outpatient activity in targeted outpatient programs partially offset the inpatient declines.

- Capital expenditures increased from $141 million as of June 30, 2012 to $202 million as of June 30, 2013, a $60.4 million increase (42.7%) but $115.4M below budget.