DREXEL UNIVERSITY
AND SUBSIDIARIES

FINANCIAL REPORT
June 30, 2009

Drexel
UNIVERSITY

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Drexel University
Philadelphia, Pennsylvania

We have audited the accompanying consolidated statements of financial position of Drexel University and Subsidiaries (the "University") as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purposes of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating schedules on pages 23-26 are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and change in net assets of the individual entities, and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the University's management. Such schedules have been subject to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly presented in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

September 22, 2009

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENTS of FINANCIAL POSITION

as of June 30, 2009 and 2008 (in thousands)

ASSETS	2009	2008
Cash and cash equivalents:		
Operating cash	$ 36,935	$ 41,214
Risk Retention Group cash	4,398	3,354
Accounts receivable, net:		
Tuition	44,004	39,081
Patients	6,081	6,194
Grants, contracts and other	31,324	29,070
Tenet HealthSystem	1,530	801
Total accounts receivable, net	82,939	75,146
Contributions receivable, net	69,404	42,483
Other assets	40,903	37,608
Deposits with bond trustees	82,204	145,028
Student loans receivable, net	34,523	32,786
Beneficial interests in trusts	19,818	26,658
Investments	426,931	576,846
Land, buildings and equipment, net	546,900	446,612
Total assets	**$ 1,344,955**	**$ 1,427,735**
LIABILITIES		
Accounts payable	$ 41,932	$ 44,696
Accrued expenses	76,112	72,779
Line of credit		195
Deposits	20,625	22,745
Deferred revenue	72,560	58,292
Capital lease	3,150	
Government advances for student loans	26,199	26,151
Postretirement benefits	27,977	25,331
Bonds and notes payable	402,948	389,311
Total liabilities	**671,503**	**639,500**
NET ASSETS		
Unrestricted	326,748	401,487
Temporarily restricted	148,194	192,644
Permanently restricted	198,510	194,104
Total net assets	**673,452**	**788,235**
Total liabilities and net assets	**$ 1,344,955**	**$ 1,427,735**

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES
CONSOLIDATED STATEMENT of ACTIVITIES
for the year ended June 30, 2009 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE				
Tuition and fees	$ 519,548			$ 519,548
Less: institutional financial aid	(120,228)			(120,228)
Net student revenue	399,320			399,320
Patient care activities	86,543			86,543
State appropriations	18,274			18,274
Government grants and contracts	91,909			91,909
Private grants and contracts	13,706			13,706
Private gifts	2,534	$ 42,644		45,178
Endowment payout under spending formula	11,940	14,768	$ 228	26,936
Investment income	2,726	274		3,000
Sales and services of auxiliary enterprises	65,672			65,672
Other sources	20,873			20,873
Net assets released from restrictions	34,684	(34,467)	(217)	
Total operating revenue	**748,181**	**23,219**	**11**	**771,411**
OPERATING EXPENSE				
College programs	239,431			239,431
Research and public service	85,676			85,676
Academic support	21,858			21,858
Student services	35,640			35,640
Institutional support	98,474			98,474
Scholarships and fellowships	17,234			17,234
Auxiliary enterprises	34,019			34,019
Total education and general	**532,332**			**532,332**
Patient care activities	104,499			104,499
Operation and maintenance	47,218			47,218
Interest	15,781			15,781
Depreciation	26,702			26,702
Total operating expense	**726,532**			**726,532**
Change in net assets from operating activities	**21,649**	**23,219**	**11**	**44,879**
NON-OPERATING ACTIVITY				
Endowment and other gifts			9,430	9,430
Realized/unrealized loss on investments, net of endowment payout of $21,353	(82,747)	(67,669)	(5,035)	(155,451)
Other non-operating expense	(13,641)	-		(13,641)
Change in net assets from non-operating activities	**(96,388)**	**(67,669)**	**4,395**	**(159,662)**
Change in net assets	**(74,739)**	**(44,450)**	**4,406**	**(114,783)**
Net assets at beginning of year	**401,487**	**192,644**	**194,104**	**788,235**
Net assets at end of year	**$ 326,748**	**$ 148,194**	**$ 198,510**	**$ 673,452**

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES
CONSOLIDATED STATEMENT of ACTIVITIES
for the year ended June 30, 2008 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE				
Tuition and fees	$ 472,010			$ 472,010
Less: institutional financial aid	(111,137)			(111,137)
Net student revenue	360,873			360,873
Patient care activities	83,415			83,415
State appropriations	18,806			18,806
Government grants and contracts	89,894			89,894
Private grants and contracts	14,367			14,367
Private gifts	4,174	$ 35,222		39,396
Endowment payout under spending formula	10,365	14,453	$ 216	25,034
Investment income	6,359	5,082		11,441
Sales and services of auxiliary enterprises	59,516			59,516
Other sources	19,320			19,320
Net assets released from restrictions	30,135	(30,135)		
Total operating revenue	**697,224**	**24,622**	**216**	**722,062**
OPERATING EXPENSE				
College programs	228,330			228,330
Research and public service	85,495			85,495
Academic support	19,425			19,425
Student services	33,261			33,261
Institutional support	84,181			84,181
Scholarships and fellowships	16,396			16,396
Auxiliary enterprises	32,347			32,347
Total education and general	**499,435**			**499,435**
Patient care activities	97,141			97,141
Operation and maintenance	41,967			41,967
Interest	15,846			15,846
Depreciation	25,132			25,132
Total operating expense	**679,521**			**679,521**
Change in net assets from operating activities	**17,703**	**24,622**	**216**	**42,541**
NON-OPERATING ACTIVITY				
Endowment and other gifts			4,746	4,746
Realized/unrealized loss on investments, including endowment payout of $18,322	(37,257)	(54,836)	(2,239)	(94,332)
Other non-operating expense	(7,627)			(7,627)
Change in net assets from non-operating activities	**(44,884)**	**(54,836)**	**2,507**	**(97,213)**
Change in net assets	**(27,181)**	**(30,214)**	**2,723**	**(54,672)**
Net assets at beginning of year	**428,668**	**222,858**	**191,381**	**842,907**
Net assets at end of year	**$ 401,487**	**$ 192,644**	**$ 194,104**	**$ 788,235**

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENTS of CASH FLOWS

for the years ended June 30, 2009 and 2008 (in thousands)

	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (114,783)	$ (54,672)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,702	25,132
Disposals of property and equipment	336	218
Decrease in beneficial interests in trusts	6,840	2,651
Contributions for long-term investment	(9,430)	(4,746)
Actuarial change on annuity liabilities	1,165	(511)
Realized/unrealized loss on investments	155,451	94,332
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,793)	(8,951)
Contributions receivable, net	(26,921)	(11,132)
Accounts payable and accrued expenses	(270)	10,818
Postretirement benefits	2,646	212
Other assets	(3,295)	(4,845)
Deposits and deferred revenue	12,148	6,157
Net cash provided by operating activities	**42,796**	**54,663**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(348,628)	(242,053)
Proceeds from sale of investments	343,092	217,383
Proceeds from student loan collections	3,982	10,080
Student loans issued	(5,719)	(10,769)
Purchase of land, buildings and equipment	(123,840)	(40,000)
Deposits placed with bond trustees		(144,320)
Use of deposits with bond trustees	62,824	14,367
Net cash used in investing activities	**(68,289)**	**(195,312)**
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	9,430	4,746
Payments on annuity obligations	(662)	(764)
Government advances for student loans	48	451
Proceeds from long-term borrowings	20,000	149,206
Repayment of short-term debt	(195)	(4,679)
Repayment of long-term debt	(6,363)	(12,519)
Net cash provided by financing activities	**22,258**	**136,441**
Net decrease in cash and cash equivalents	**(3,235)**	**(4,208)**
Cash and cash equivalents at beginning of year	**44,568**	**48,776**
Cash and cash equivalents at end of year	**$ 41,333**	**$ 44,568**
SUPPLEMENTAL INFORMATION		
Gifts in kind	$ 163	$ 533
Cash paid for interest	$ 16,015	$ 14,830

See notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Basis of Financial Statements: Drexel University (the "University") is a private research university located in Philadelphia, Pennsylvania. The University is an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under these principles, contributions or unconditional promises to give are recognized as revenues in the period received at their net present value, less an allowance for uncollectible pledges. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as shown below.

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets. Such assets are included in the University's permanent endowment funds.

Temporarily restricted: Net assets whose use by the University is subject to donor-imposed restriction that can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time, including the following:

Endowment income and contributions with donor-imposed restrictions are reported as temporarily restricted and are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

The University utilizes endowment gains under a spending formula, subject to certain limitations. Since endowment net realized and unrealized gains may eventually be spent by the University, these gains are recorded in the financial statements as temporarily restricted net assets until transferred to unrestricted net assets.

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations are reported as net assets released from restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use.

All revenues received and expenditures paid prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected as deferred revenues and deferred charges, respectively.

Note 1: Summary of Significant Accounting Policies, continued...

Philadelphia Health & Education Corporation: The University owns 100% of the Philadelphia Health & Education Corporation, doing business as Drexel University College of Medicine ("PHEC"). PHEC is party to an Academic Affiliation Agreement with Tenet HealthSystem Philadelphia, Inc. ("Tenet") intended to establish a relationship to foster continued coordination and integration between PHEC and the Tenet hospitals. This agreement, dated November 10, 1998 and subsequently amended on April 25, 2002, is effective until June 30, 2022 and may be renewed thereafter for separate and successive five-year terms. Under the terms of the agreement, PHEC commits to furnish administrative, supervisory, and teaching services to Tenet at budgeted levels through June 30, 2022 (see Note 12).

In addition, PHEC has agreed to provide teaching and administrative services for the education of the University's medical students in accordance with an agreement, which renews annually, that is effective until June 30, 2010. PHEC has also engaged the University to provide service and personnel for its administrative and academic operations.

Academic Properties, Inc.: The University owns 100% of Academic Properties, Inc. ("API"), a tax-exempt organization. API manages properties utilized by the University as well as other strategically located properties contiguous to the campus. The balances and activities of API are consolidated in the University's financial statements.

Drexel e-Learning, Inc.: The University owns 100% of the issued and outstanding stock of Drexel e-Learning, Inc. ("DeL"). DeL was created to provide educational products and services through distance learning. The balances and activities of DeL are consolidated in the University's financial statements.

Cash and Cash Equivalents: Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days.

Beneficial Interests in Trusts: Gifts held by outside trustees for whom the University has a beneficial interest are recorded at the present value of expected future cash flows as unrestricted, temporarily and permanently restricted net assets and related beneficial interests in trusts in the consolidated financial statements.

Accounting for Derivative Instruments and Hedging Activities: The University entered into a fixed-to-variable interest rate swap agreement with Bank of America, N.A. ("Bank") that converts $18,000,000 of the University's fixed rate term bonds (4.80%) to a USD floating rate obligation based on the BMA Municipal Swap Index. For fiscal year 2008, the agreement resulted in a gain on investments of $5,000 reported in the consolidated statement of activities. During 2008, the Bank exercised its right to terminate the agreement.

The University has entered into a variable-to-fixed swap agreement with Wachovia Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The agreement resulted in losses of $1,915,000 and $1,984,000 in 2009 and 2008, respectively, reported as an unrealized loss on investments in the consolidated statement of activities. The estimated fair value of the agreement was ($2,196,000) and ($281,000), respectively, at June 30, 2009 and 2008.

Note 1: Summary of Significant Accounting Policies, continued...

During fiscal year 2009, the University entered into a variable-to-fixed swap agreement with TD Bank, N.A., which converts the TD Bank loan to a fixed rate of 3.83% through the January 2014 termination date. The agreement resulted in a loss of $120,000, reported as an unrealized loss on investments in the consolidated statement of activities. The estimated fair value of the agreement was ($120,000) at June 30, 2009.

Fair Value of Financial Instruments: A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans could not be made because the loans are not readily saleable. These loans are recorded at cost, less an allowance for doubtful accounts. See Notes 4, 5 and 8 for additional fair value disclosures.

Patient Care Activities: PHEC faculty physicians participate in several physician practice plans that are managed by PHEC. Revenue and expenses related to these practice plans are recorded as patient care activities.

Patient care activities represent amounts received and the estimated net realizable amounts due from patients and third-party payers for services rendered. PHEC provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement. In 2009 and 2008, revenue from Medicare and Medicaid programs combined and from managed care payers accounted for 18% and 54%, respectively, and 18% and 53%, respectively, of gross patient service revenue.

Schuylkill Crossing Reciprocal Risk Retention Group: The Schuylkill Crossing Reciprocal Risk Retention Group (the "RRRG") operates to provide primary coverage for claims-made medical professional liability insurance for health care professionals employed by PHEC. Ownership of the RRRG is split 87%/13% between PHEC and the University, respectively.

At June 30, 2009, the assets and ownership equity of the RRRG amounted to $38,683,000 and $3,052,000, respectively, and revenues and expenses for the year then ended were $1,024,000 and $2,404,000, respectively. At June 30, 2008, the assets and ownership equity of the RRRG amounted to $31,205,000 and $2,747,000, respectively, and revenues and expenses for the year then ended were $1,053,000 and $1,038,000, respectively. The balances and activities of the RRRG are included in the accompanying consolidated financial statements.

Non-operating Activities: Non-operating activities include contributions restricted for endowment, losses on investments in excess of payouts under the endowment spending policies, claims related to PHEC, loss on the disposal of equipment, postretirement benefit adjustment, severances and start-up costs for the Drexel College of Law and the Sacramento campus.

Reclassifications: Certain scholarship and information technology expenses in the 2008 consolidated statement of activities have been reclassified from instruction and institutional support to scholarships and patient care activities to conform to the 2009 classifications and comply with regulatory filing requirements.

Note 1: Summary of Significant Accounting Policies, continued...

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In February 2007, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* which permits organizations to measure certain financial instruments and certain other items at fair value. SFAS No. 159 was effective for the University on July 1, 2008. The University has adopted the fair value option for contributions receivable under the provisions of SFAS No. 159. See Note 5 for the fair value of investments.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities"*. SFAS No. 161 requires organizations with derivative instruments to disclose how and why derivative instruments are used, how derivative instruments and related hedged items are accounted for under SFAS No. 133 *"Accounting for Derivative Instruments and Hedging Activities,"* and how derivative instruments and related hedged items affect an organization's financial statements. SFAS No. 161 is effective for financial statements issued for the University as of June 30, 2010. The University does not anticipate that the adoption of this statement will have a material impact on its consolidated financial statements.

Note 2: Net Assets

Net assets consist of the following:

	(in thousands) 2009	2008
Unrestricted:		
Undesignated	$ (164,471)	$ (124,458)
Designated for:		
Colleges, departments and student loans	79,040	66,355
Physical plant	262,073	235,514
Quasi-endowment funds	166,870	224,076
Reclassification for endowments with deficiencies	(16,764)	
Total unrestricted	**326,748**	**401,487**
Temporarily restricted:		
Funds for instruction, scholarships and capital expenditures:		
Unexpended	99,622	93,756
Endowment realized and unrealized gain	24,332	91,416
Reclassification for endowments with deficiencies	16,764	
Life income and term endowment funds	7,476	7,472
Total temporarily restricted	**148,194**	**192,644**
Permanently restricted:		
Endowment principal	176,288	167,219
Beneficial interests in trusts	16,135	20,925
Student loans and others	6,087	5,960
Total permanently restricted	**198,510**	**194,104**
Total net assets	**$ 673,452**	**$ 788,235**

Note 3: Receivables

Accounts and loans receivable, net of allowances, are follows:

	(in thousands) 2009	2008
Patients, net of contractual allowances	$ 11,000	$ 12,544
Tuition	49,543	44,803
Grants, contracts and other	32,430	30,148
Tenet HealthSystem	1,530	801
	94,503	88,296
Less allowance for doubtful accounts	(11,564)	(13,150)
Net accounts receivable	**$ 82,939**	**$ 75,146**
Student loans receivable	$ 37,549	$ 35,589
Less allowance for doubtful accounts	(3,026)	(2,803)
Net student loans receivable	**$ 34,523**	**$ 32,786**

Note 4: Contributions Receivable

Net contributions receivable at June 30 consist of the following:

	(in thousands) 2009	2008
Amounts due in:		
Less than one year	$ 15,932	$ 5,516
One to five years	36,688	26,546
Greater than five years	29,908	26,153
Gross contributions receivable	82,528	58,215
Less:		
Allowance for uncollectibles	(1,190)	(2,278)
Discounts to present value	(11,934)	(13,454)
Total contributions receivable, net	**$ 69,404**	**$ 42,483**

The current yields for two-to ten year U.S. Treasury notes are used to discount contributions receivable, which averaged 2.292% and 3.375% for the fiscal years ended June 30, 2009 and 2008, respectively. The University considers these yields to be a Level 3 input in the context of the SFAS No. 157 hierarchy (see Note 5).

Outstanding conditional promises to give to the University totaled $9,987,000 and $11,597,000 at June 30, 2009 and 2008, respectively, which are dependent upon the fulfillment of certain conditions and, therefore, are not included in the consolidated financial statements.

Note 4: Contributions Receivable, continued...

The following table summarizes the change in net contributions receivable for the year ended June 30, 2009:

		(in thousands)
Net contributions receivable, beginning of year	**$**	**42,483**
New pledges		35,570
Collections on pledges		(11,257)
Decrease in allowance for uncollectibles		1,088
Decrease in present value discounts		1,520
Net contributions receivable, end of year	**$**	**69,404**

Note 5: Investments

Effective July 1, 2008, the University implemented SFAS No. 157, *Fair Value Measurements* that defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 clarifies that fair value should be based on assumptions about risk, risks inherent in valuation techniques and the inputs to valuations. SFAS No. 157 also requires fair value measurements to assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). The University applies fair value measurements to contributions receivable, beneficial interests in trusts, endowment investments, self-insurance escrow funds, real estate and interest rate swaps.

In accordance with SFAS No. 157, the University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, price information from external sources, including broker quotes, and industry publications is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, prices are estimated based on available historical financial data or comparable investment vehicles that reflect widely accepted market valuation practices.

SFAS No. 157 requires fair value measurements to be disclosed by level within the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In those cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs, considered to be unobservable, are used in their valuations. The change in net assets in the Level 3 category is a required disclosure and is shown below. The fair value hierarchy and inputs to valuation techniques are as follows:

Note 5: Investments, continued...

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly-traded range of equities and debt securities.

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include non-exchange-traded fixed income securities, structured products, interest rate swaps, certain bond investments and real estate.

Level 3 - Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of partnership investments in hedge funds and alternative and private equities.

As of June 30, 2009, the assets measured at fair value for each hierarchy level are as follows:

		Fair Value Measurements (in thousands) Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at Fair Value:				
Beneficial interests in trusts	$ 19,818	$ 19,818		
Investments held in endowment	393,142	275,503	$ 61,795	$ 55,844
Self-insurance escrow funds (Note 10)	7,775	7,775		
RRRG guaranteed investment contract (Note 10)	4,094	4,094		
Real estate	21,920		21,920	
Interest rate swaps (Note 1)	(2,316)		(2,316)	
Total assets	**$ 444,433**	$ 307,190	$ 81,399	$ 55,844

Investments held in endowment include the following: Level 1 - $186,588,000 in equity securities, $36,590,000 in fixed income/bond funds, $12,270,000 in real estate and real assets, $40,055,000 in money market funds; Level 2 - $5,001,000 in fixed income/bond funds, $56,794,000 in real estate and real assets; Level 3 - $50,935,000 in alternative investments, $4,909,000 in real estate and real assets.

The net change in the assets included in the Level 3 fair value category for the year ended June 30, 2009 is as follows:

	(in thousands)
Balance at June 30, 2008	**$ 44,593**
Total losses (realized/unrealized) included in changes in net assets	(11,210)
Purchases, issuances and liquidations	22,461
Balance at June 30, 2009	**$ 55,844**

Total losses for the period included in changes in net assets that are attributable to the change in unrealized losses relating to assets still held at the reporting date was ($14,382,000) at June 30, 2009.

Note 5: Investments, continued...

Endowment – Effective June 30, 2009, the University adopted FASB Staff Position ("FSP") No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for All Endowment Funds.* This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization whether or not it is subject to an enacted version of the UPMIFA for the purpose of improving disclosures about both donor-restricted and board-designated endowment funds. The Commonwealth of Pennsylvania has not enacted UPMIFA as of the date of this report.

Funds with Deficiencies – From time to time due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. In accordance with generally accepted accounting principles, the aggregate amount of deficiencies at June 30, 2009 was $16,764,000, reported in unrestricted net assets in the consolidated statement of activities. Subsequent investment gains will be used to restore the balance up to the fair market value of the original gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies as of June 30, 2008 amounted to $483,000.

Interpretation of Relevant Law – The Board of Trustees of the University has interpreted Pennsylvania Act 141 (PA Act 141) as requiring the preservation of the fair value of the original gift as specified in the individual trust instruments. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141.

Endowment net asset composition by type of fund as of June 30, 2009 and 2008 is as follows.

	(in thousands)			
2009	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ 11,433	$ 44,925	$ 176,288	$ 232,646
Board-designated endowment funds	146,996	16,083		163,079
Total Net Assets	**$ 158,429**	**$ 61,008**	**$ 176,288**	**$ 395,725**
2008				
Donor-restricted endowment funds	$ 37,096	$ 111,619	$ 167,219	$ 315,934
Board-designated endowment funds	195,814	15,223		211,037
Total Net Assets	**$ 232,910**	**$ 126,842**	**$ 167,219**	**$ 526,971**

Board-designated temporarily restricted endowment funds represent donor-restricted funds which the Board has earmarked for endowment purposes. The earnings on these funds are utilized by the University in a manner consistent with specific donor restrictions on the original contributions.

Note 5: Investments, continued...

Changes in endowment net assets for the years ended June 30, 2009 and 2008 are as follows:

	(in thousands)			
2009	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ 232,910**	**$ 126,842**	**$ 167,219**	**$ 526,971**
Investment return:				
Investment income, net of fees	2,796	3,264		6,060
Net realized loss	(34,347)	(34,402)	(404)	(69,153)
Net unrealized loss	(15,452)	(37,873)	(114)	(53,439)
Reclassification for funds with deficiencies	(16,764)	16,764		
Total investment return	(63,767)	(52,247)	(518)	(116,532)
Contributions	1	1,207	9,395	10,603
Use of endowment assets:				
Annual transfer for operations	(11,940)	(14,996)		(26,936)
Other transfers	1,225	202	192	1,619
Total uses	(10,715)	(14,794)	192	(25,317)
Endowment net assets, end of year	**$ 158,429**	**$ 61,008**	**$ 176,288**	**$ 395,725**
2008				
Endowment net assets, beginning of year	**$ 272,097**	**$ 176,083**	**$ 162,944**	**$ 611,124**
Investment return:				
Investment income, net of fees	3,156	4,088		7,244
Net realized gain (loss)	(5,440)	(5,922)	162	(11,200)
Net unrealized loss	(24,619)	(37,815)	(396)	(62,830)
Total investment return	(26,903)	(39,649)	(234)	(66,786)
Contributions	4	2,796	4,531	7,331
Use of endowment assets:				
Annual transfer for operations	(10,365)	(14,668)		(25,033)
Other transfers	(1,923)	2,280	(22)	335
Total uses	(12,288)	(12,388)	(22)	(24,698)
Endowment net assets, end of year	**$ 232,910**	**$ 126,842**	**$ 167,219**	**$ 526,971**

For 2009, investment income, net realized losses and net unrealized losses on unendowed investments amounted to $3,157,000, ($1,585,000), and ($10,555,000), respectively. For 2008, investment income, net realized gains and net unrealized losses on unendowed investments amounted to $11,189,000, $919,000, and ($3,180,000), respectively.

Note 5: Investments, continued...

Investment Policies - The University has an investment policy for endowment assets designed to maximize the total return within an acceptable level of risk consistent with long-term preservation of the real value of the funds. The goal is to manage the portfolio for risk as well as total return, consistent with fiduciary standards of the prudent investor rule.

To satisfy its long-term, rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in several asset classes and subclasses thereof to moderate the volatility of the returns for the entire portfolio. The primary asset classes are stocks, bonds, cash and real estate.

For the years ended June 30, 2009 and 2008, the University had an endowment spending rule that limited the spending of endowment resources to 5% of the average market value of the pooled endowment portfolio for the prior three fiscal years. To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use.

At June 30, 2009 and 2008, investments included the following:

	(in thousands)	
	2009	2008
	Market	Market
Equity securities	$ 186,588	$ 326,134
Fixed income securities and bond funds	41,591	104,255
Alternative investments	73,973	59,988
Real estate and real assets	50,935	35,670
Money market funds	40,055	4,308
Total endowment investments	**393,142**	**530,355**
Self-insurance escrow funds (Note 10)	7,775	8,996
RRRG guaranteed investment contract (Note 10)	4,094	15,155
Real estate	21,920	22,340
Total investments	**$ 426,931**	**$ 576,846**

Note 6: Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if acquired by gift, at the appraised value on the date of acquisition. Depreciation is computed on a straight-line basis over the lesser of the estimated useful lives of the assets, term of the lease or: for equipment, between 3 and 30 years; software, between 3 and 7 years; land and building improvements, between 5 and 25 years; and buildings, between 30 and 60 years. In 2006, the University began capitalizing library books. The books are depreciated on a straight-line basis over twenty years.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was $994,000 and $3,571,000 at June 30, 2009 and $1,065,000 and $3,395,000 at June 30, 2008, respectively, and is included in buildings and improvements and accrued expenses, respectively. In 2009 and 2008, depreciation and accretion expense amounted to $72,000 and $174,000, respectively, and $58,000 and $133,000, respectively.

Note 6: Land, Buildings and Equipment, continued...

Land, buildings, and equipment at June 30 included the following:

	(in thousands) 2009	2008
Art collection	$ 8,643	$ 8,643
Land and improvements	61,560	43,177
Buildings and improvements	489,260	453,878
Equipment, software and library books	141,647	131,428
Construction in progess	79,650	17,329
	780,760	654,455
Less accumulated depreciation	(233,860)	(207,843)
Total land, buildings and equipment	**$ 546,900**	**$ 446,612**

Note 7: Leases

Future minimum payments by year and in the aggregate under non-cancelable operating leases, with initial or remaining terms of one year or more are as follows:

	(in thousands)
2010	$ 12,525
2011	12,355
2012	12,055
2013	11,438
2014	11,165
Thereafter	77,570
Total minimum lease payments	**$ 137,108**

Total rent expense for operating leases amounted to $12,630,000 and $11,817,000 for the years ended June 30, 2009 and 2008, respectively.

Under the terms of a twenty-year operating lease with Tenet ending June 30, 2022, payments until November 11, 2008 shall equal $22.38 per rentable square foot per annum for all space located within such premises except for special use space, defined as certain research space, which shall equal $27.38 per rentable square foot per annum. Payments were reduced to a blended rate of $19.50 per rentable square foot for the remainder of the lease effective November 12, 2008. The future minimum payments are included in the table above.

During fiscal year 2009, the University entered into an agreement with the Commonwealth of Pennsylvania (the "Commonwealth") to lease space in the Armory Building (the "Armory") at no cost for an initial period of fifty years during which time the University agreed to complete certain improvements to the Armory at the University's expense. Thereafter, the lease may be renewed for two, additional twenty-year periods at fair value. In the event the Commonwealth should desire to sell the property during the initial or additional lease periods, the University has the option to purchase the Armory for $1,700,000, adjusted for inflation. During fiscal year 2009, the University paid $301,000 for architectural and engineering services connected with the improvement project. The University estimates that costs for the required improvements will amount to $3,150,000. These costs have been capitalized, and a comparable capital lease liability has been recorded for the same amount.

Note 8: Bonds and Notes Payable

Description	Project	Maturity	Interest Rate	(in thousands) 2009	2008
Dormitory Bonds of 1965	Kelly Hall	2010-2018	3.00 - 3.50%	$ 610	$ 700
Dormitory Bonds of 1969	Calhoun Hall	2010-2019	3.00%	670	725
Philadelphia Industrial Development Corp.	Abbotts demolition/ parking lot	2010-2015	3.00%	604	700
Pennsylvania Higher Educational Facilities Authority Revenue Bonds:					
First Series of 1993					
Convertible Series	Athletic field acquisition	2010-2012	8.55%	185	235
1997 Bonds	Van Rensselaer renovation & advance refunding (1987 & 1990)	2010-2022	5.30 - 5.75%	10,790	12,395
First Series of 1998	North Hall	2010-2028	4.40 - 4.80%	32,145	33,400
Second Series of 1998	Advance refunding (1993 & 1996)	2010-2017	4.80 - 5.375%	5,130	7,130
Second Series of 2000	Capital improvements & equipment	2018-2025	variable	22,500	22,500
Series A of 2002	Matheson Hall improvements, new research center, advance refunding (2000-1)	2010-2032	3.80 - 5.20%	12,270	12,380
Series B of 2002	Matheson Hall improvements, new research center, other improvements	2015-2032	variable	42,140	42,140
Series A of 2003	Advance refunding (1993 tax-exempt bonds)	2011-2018	5.50%	26,790	26,902
Series B of 2003	Stiles Hall renovations, Queen Lane campus acquisition & renovations, capital improvements & equipment	2010-2033	variable	19,915	20,560
Series A of 2005	Capital improvements & equipment	2011-2034	3.00-5.00%	29,469	29,497
Series B of 2005	Advance refunding (1997 & 1999)	2010-2030	variable	30,325	30,525
Series A of 2007	New laboratory,	2030-2037	4.50-5.00%	96,329	96,359
Series B of 2007	dormitory & Wellness Center; capital improvements & equipment	2010-2037	variable	30,000	30,000
TD Bank Loan	3501 Market & 3401 Filbert Street buildings	2011-2014	3.83%	20,000	
PHEC					
Pennsylvania Higher Educational Facilities Authority Revenue Bonds Series of 2007	Refund mortgage, capital improvements & equipment	2010-2037	3.75-5.00%	22,817	22,847
Academic Properties, Inc.					
Philadelphia Industrial Development Corp.	ODP Evening College renovations	2010-2013	3.00%	259	316
Total bonds and notes payable				**$ 402,948**	**$ 389,311**

Note 8: Bonds and Notes Payable, continued...

The variable rates of interest on the bonds are based on the weekly rate determined by the remarketing or auction agent, not to exceed 16% per annum.

The total market value of the $380,805,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds was $353,708,000 at June 30, 2009, based on a comparison to current interest rates. It was not practicable to determine the market value for certain bonds and notes which represent approximately 6% of the total debt outstanding at June 30, 2009.

The Dormitory bonds of 1965 – Kelly Hall and Dormitory bonds of 1969 – Calhoun Hall are collateralized by first mortgages on the associated buildings and first lien on, and pledges of, the net revenues derived from the building operations.

The 1993, 1997, 1998, 2000, 2002, 2003, 2005 and 2007 bonds are secured by a security interest in unrestricted gross revenues. The TD Bank loan is secured by a first property lien on the properties and an assignment of any rents and leases. The Philadelphia Industrial Development Corporation loans are secured by a mortgage lien on One Drexel Plaza.

Debt maturities for the fiscal years ending June 30 are as follows:

		(in thousands)	
	Maturities	Remarketed Debt	Total Debt
2010	$ 5,952	$ 1,695	$ 7,647
2011	9,887	1,235	11,122
2012	13,563	1,275	14,838
2013	14,174	1,310	15,484
2014	9,637	1,355	10,992
Thereafter	204,855	138,010	342,865
			$ 402,948

The Second Series of 2000 and Series B of 2002, Series B of 2003, Series B of 2005 and Series B of 2007 bonds have remarketing terms and related standby letters of credit which could change the maturity dates to the fiscal years 2016, 2012, 2012 and 2013, respectively, based on the current expiration dates of the letters of credit. These issues have been included in the above table based on the stated maturity dates. The University is in compliance with the covenants contained in the various loan agreements.

Lines of Credit: In 2008, PHEC entered into a term note - line of credit of $3,500,000 for equipment purchases that accrues interest based on Libor plus 1.25%. Advances are available through August 5, 2010, with equal payments of principal and interest due sixty months thereafter. The line of credit is secured by a lien and security interest in deposits or other sums held by the lender or its affiliates. There was no amount outstanding at June 30, 2009 and 2008.

Note 8: Bonds and Notes Payable, continued...

Total unsecured Revolving Credit Facilities ("Facilities") of $55,000,000 mature on January 1, 2010, and accrue interest based on Libor for the University (subject to a floor of 0.75%) and Libor plus .25% for PHEC. They can be extended annually based upon the mutual agreement of the University and PHEC and the bank maintaining the Facilities. At June 30, 2009, the interest rates were 0.75% for the University and 0.54% for PHEC, and there was no amount outstanding. At June 30, 2008, the facilities accrued interest at 2.47% for the University and 2.72% for PHEC, and there was no amount outstanding.

The University had a Revolving Line of Credit and Security Agreement and a Forward Purchase Commitment Agreement which enabled it to grant Title IV qualified loans under the KeystoneBEST Loan Program to its students and sell the loans to the lending facility without recourse. The loans served as collateral on the line of credit. Interest accrued at a variable rate based on the commercial paper rate plus 44 basis points. At June 30, 2008, the amount outstanding was $195,000 with an interest rate of 3.23%. During fiscal year 2008, the University stopped issuing new loans under the program.

Note 9: Retirement Plans

The University and PHEC maintain contributory retirement plans administered by Teachers Insurance Annuity Association, the Vanguard Group and Fidelity Investments which provide for the purchase of annuity contracts and mutual funds for the majority of full-time faculty and certain non-academic employees. The University also participates in a contributory retirement plan which provides benefits for certain union employees. The policy is to fund pension costs accrued for these plans. Total retirement plan expense for all plans was $24,087, 000 and $21,617,000 in 2009 and 2008, respectively.

In addition to retirement plan benefits, the University also provides postretirement benefits to retirees in the form of group life insurance, major medical insurance and tuition remission. Substantially all employees could become eligible when they reach retirement age while working for the University. The postretirement health care plan is contributory, and the life insurance plan is noncontributory.

The net periodic postretirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to $2,161,000 and ($483,000), respectively, for the years ended 2009 and 2008 and are reflected in the consolidated statements of activities and included in postretirement benefits in the consolidated statements of financial position.

	(in thousands)	
	2009	2008
Benefit obligation	$ 27,831	$ 25,176
Fair value of plan assets	-	-
Funded status	$ 27,831	$ 25,176
Accrued benefit cost recognized in the consolidated statements of financial position	$ 27,831	$ 25,176
Discount rate	6.30%	6.85%

Note 9: Retirement Plans, continued...

For measurement purposes, an 8.80% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009. The rate was assumed to decrease gradually to 4.75% for 2011 and remain at that level thereafter.

	(in thousands)	
	2009	2008
Benefit cost	$ 2,212	$ 2,397
Employer contribution	1,718	1,700
Plan participant contributions	425	240
Benefits paid	2,143	1,940

Estimated future benefit payments:

2010	$ 1,818
2011	1,866
2012	1,922
2013	1,967
2014	1,995
2015 to 2019	10,831

A one-percentage-point change in the assumed health care cost trend rates would have no significant impact on the net periodic postretirement benefit service and interest costs or the benefit obligation at June 30, 2009.

Note 10: Professional Liability Insurance

PHEC maintained commercial, occurrence-based insurance coverage for professional liability claims that occurred from November 10, 1998 through November 10, 2003. Beginning on November 11, 2003, PHEC purchased primary and excess insurance coverage from the RRRG on a claims-made basis. In addition, PHEC's physicians and midwives participate in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare"). PHEC self insures a layer of excess of up to $2,000,000 above the Mcare Fund, and provides an additional $9,000,000 for excess layer coverage from reinsurance.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2009 and 2008, respectively, total reserves amounted to $28,068,000 and $25,107,000, net of estimated recoveries from purchased reinsurance of $15,451,000 and $8,978,000, respectively. In fiscal 2008, the reserves were discounted at 7%. In fiscal 2009, the discount was 7% for the RRRG coverage and 4% for the self-insured layer. Such reserves are included in accrued expenses on the accompanying consolidated statements of financial position. Subsequent to June 30, 2008, based on updated claims information, PHEC increased its reserve for liability insurance which was offset by a comparable increase in reinsurance recoverable. The self-insurance escrow fund of $7,775,000 and $8,996,000 at June 30, 2009 and 2008, respectively, plus the RRRG guaranteed investment contract of $4,094,000 and $15,155,000 at June 30, 2009 and 2008, respectively, are available to fund these liabilities when they become due (see Note 5). In addition, in June 2009, the University established a cash reserve of $9,000,000 for claims payable in July 2009 by liquidating a portion of the guaranteed investment contract.

Note 11: Commitments and Contingencies

Healthcare Legislation and Regulation: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements and reimbursement for patient services. Federal government activity has continued with respect to investigations and allegations concerning possible violation of billing regulations by healthcare providers. Violations of these regulations could result in the imposition of significant fines and penalties and have a significant effect on reported net income or cash flow.

Management believes that PHEC is in compliance with applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Litigation: The nature of the educational and healthcare industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and healthcare services at a large institution. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters will not have a materially adverse effect on the financial condition or results of operations.

Other Commitments and Contingencies: PHEC maintains two letters of credit in the amounts of $50,000 and $260,000 for the benefit of Liberty Mutual Insurance Company and Pennsylvania Manufacturer's Association, respectively, associated with workers' compensation insurance. The letters of credit expire on February 1, 2010 and March 15, 2010, respectively, and are renewed annually. As of June 30, 2009 and 2008, there was no amount outstanding under these letters of credit.

PHEC also maintains a letter of credit in the amount of $1,125,000, as required by the U.S. Nuclear Regulatory Commission, in connection with the disposal of nuclear medical waste. It expires on May 15, 2010 and is renewed annually. As of June 30, 2009 and 2008, there was no amount outstanding under the letter of credit.

The University maintains three letters of credit totaling $1,000,000 for the benefit of Liberty Mutual Insurance Company associated with workers' compensation insurance. These letters of credit expire on July 31, 2010, August 28, 2010 and September 15, 2010, respectively, and are renewable annually. As of June 30, 2009, there was no amount outstanding under these letters of credit.

Subsequent Events: The University has evaluated subsequent events through September 22, 2009 and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

Note: 12: Related Party Transactions

PHEC has various operating agreements with Tenet. Under these agreements, PHEC acts both as a purchaser and provider of services. Total services purchased from Tenet for the years ended June 30, 2009 and 2008 were $15,045,000 and $15,271,000, respectively. These services include charges for rent and various personnel, administrative and support services related to operating PHEC.

PHEC provided various administrative, supervisory and teaching services to Tenet in connection with faculty physician and residency programs. Total charges to Tenet for these services were $20,657,000 and $20,815,000 for the years ended June 30, 2009 and 2008, respectively.

Note 13: Operating Expenses

Expenses for the operation and maintenance of plant, depreciation and interest are not included within the University's patient care and educational and general expense categories in the University's consolidated statements of activities. The allocation of these expenses to those categories, based on the space assigned to each, is as follows:

	(in thousands)	
	2009	**2008**
College programs	$ 29,058	$ 26,097
Research and public service	20,127	18,291
Academic support	5,377	6,006
Student services	9,486	9,415
Institutional support	6,786	5,347
Auxiliary enterprises	16,056	15,350
Patient care activities	2,811	2,439
Total	**$ 89,701**	**$ 82,945**

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DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENTS of FINANCIAL POSITION as of June 30, 2009 (in thousands)

Supplemental Consolidating Schedule of Financial Position

	Drexel University, API and DeL	PHEC	Elimination Adjustments	Total
ASSETS				
Cash and cash equivalents:				
Operating cash	$ 29,740	$ 7,195		$ 36,935
Risk Retention Group cash		4,398		4,398
Accounts receivable, net:				
Tuition	44,004	7,411	$ (7,411)	44,004
Patients		6,081		6,081
Grants, contracts and other	20,933	12,232	(1,841)	31,324
Tenet HealthSystem		1,530		1,530
Total accounts receivable, net	64,937	27,254	(9,252)	82,939
Contributions receivable, net	68,700	704		69,404
Other assets	33,696	7,207		40,903
Deposits with bond trustees	72,452	9,752		82,204
Student loans receivable, net	17,139	17,384		34,523
Beneficial interests in trusts	4,233	15,585		19,818
Investments	311,869	129,062	(14,000)	426,931
Land, buildings and equipment, net	500,082	49,817	(2,999)	546,900
Total assets	**$ 1,102,848**	**$ 268,358**	**$ (26,251)**	**$ 1,344,955**
LIABILITIES				
Accounts payable	$ 30,183	$ 11,749		$ 41,932
Accrued expenses	39,608	36,504		76,112
Payable to affiliates	23,252		$ (23,252)	
Deposits	15,969	4,656		20,625
Deferred revenue	62,691	9,869		72,560
Capital lease, affiliate and other	3,150	2,999	(2,999)	3,150
Government advances for student loans	13,307	12,892		26,199
Postretirement benefits	27,977			27,977
Bonds and notes payable	380,131	22,817		402,948
Total liabilities	**596,268**	**101,486**	**(26,251)**	**671,503**
NET ASSETS				
Unrestricted	314,898	11,850		326,748
Temporarily restricted	98,097	50,097		148,194
Permanently restricted	93,585	104,925		198,510
Total net assets	**506,580**	**166,872**		**673,452**
Total liabilities and net assets	**$ 1,102,848**	**$ 268,358**	**$ (26,251)**	**$ 1,344,955**

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENT of ACTIVITIES for the year ended June 30, 2009 (in thousands)

Supplemental Consolidating Schedule of Statement of Activities

	Drexel University, API and DeL	PHEC	Elimination Adjustments	Total
OPERATING REVENUE				
Tuition and fees	$ 462,394	$ 59,367	$ (2,213)	$ 519,548
Less: institutional financial aid	(116,183)	(4,045)		(120,228)
Net student revenue	346,211	55,322	(2,213)	399,320
Patient care activities		86,543		86,543
State appropriations	8,151	10,123		18,274
Government grants and contracts	71,055	20,854		91,909
Private grants and contracts	9,989	3,717		13,706
Private gifts	40,361	9,454	(4,637)	45,178
Endowment payout under spending formula	19,657	7,279		26,936
Investment income	969	2,031		3,000
Sales and services of auxiliary enterprises	65,672			65,672
Other sources	16,624	7,907	(3,658)	20,873
Total operating revenue	**578,689**	**203,230**	**(10,508)**	**771,411**
OPERATING EXPENSE				
College programs	224,064	15,367		239,431
Research and public service	64,289	21,387		85,676
Academic support	12,240	9,618		21,858
Student services	33,615	2,025		35,640
Institutional support	84,487	24,337	(10,350)	98,474
Scholarships and fellowships	12,061	5,173		17,234
Auxiliary enterprises	34,019			34,019
Total education and general	**464,775**	**77,907**	**(10,350)**	**532,332**
Patient care activities		104,499		104,499
Operation and maintenance	31,738	15,480		47,218
Interest	14,724	1,057		15,781
Depreciation	20,202	6,658	(158)	26,702
Total operating expense	**531,439**	**205,601**	**(10,508)**	**726,532**
Change in net assets from operating activities	**47,250**	**(2,371)**		**44,879**
NON-OPERATING ACTIVITY				
Endowment and other gifts	6,387	3,043		9,430
Realized/unrealized loss on investments, net of endowment payout of $21,353	(103,452)	(51,999)		(155,451)
Other non-operating expense	(13,590)	(51)		(13,641)
Change in net assets from non-operating activities	**(110,655)**	**(49,007)**		**(159,662)**
Change in net assets	**(63,405)**	**(51,378)**		**(114,783)**
Net assets at beginning of year	**569,985**	**218,250**		**788,235**
Net assets at end of year	**$ 506,580**	**$ 166,872**	**$ -**	**$ 673,452**

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENTS of FINANCIAL POSITION as of June 30, 2008 (in thousands)

Supplemental Consolidating Schedule of Financial Position

	Drexel University, API and DeL	PHEC	Elimination Adjustments	Total
ASSETS				
Cash and cash equivalents:				
Operating cash	$ 30,803	$ 10,411		$ 41,214
Risk Retention Group cash		3,354		3,354
Accounts receivable, net:				
Tuition	39,081	647	$ (647)	39,081
Patients		6,194		6,194
Grants, contracts and other	19,480	11,858	(2,268)	29,070
Tenet HealthSystem		801		801
Total accounts receivable, net	58,561	19,500	(2,915)	75,146
Contributions receivable, net	41,376	1,107		42,483
Other assets	31,253	6,355		37,608
Deposits with bond trustees	132,056	12,972		145,028
Student loans receivable, net	16,140	16,646		32,786
Beneficial interests in trusts	6,268	20,390		26,658
Investments	403,014	173,832		576,846
Land, buildings and equipment, net	399,850	49,919	(3,157)	446,612
Total assets	**$ 1,119,321**	**$ 314,486**	**$ (6,072)**	**$ 1,427,735**
LIABILITIES				
Accounts payable	$ 34,131	$ 10,565		$ 44,696
Accrued expenses	36,017	36,762		72,779
Line of credit	195			195
Payable to affiliate	1,665	1,250	$ (2,915)	
Deposits	17,729	5,016		22,745
Deferred revenue	54,418	3,874		58,292
Capital leases, affiliate		3,157	(3,157)	
Government advances for student loans	13,386	12,765		26,151
Postretirement benefits	25,331			25,331
Bonds and notes payable	366,464	22,847		389,311
Total liabilities	**549,336**	**96,236**	**(6,072)**	**639,500**
NET ASSETS				
Unrestricted	369,254	32,233		401,487
Temporarily restricted	113,638	79,006		192,644
Permanently restricted	87,093	107,011		194,104
Total net assets	**569,985**	**218,250**		**788,235**
Total liabilities and net assets	**$ 1,119,321**	**$ 314,486**	**$ (6,072)**	**$ 1,427,735**

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENT of ACTIVITIES for the year ended June 30, 2008 (in thousands)

Supplemental Consolidating Schedule of Statement of Activities

	Drexel University, API and DeL	PHEC	Elimination Adjustments	Total
OPERATING REVENUE				
Tuition and fees	$ 416,511	$ 57,752	$ (2,253)	$ 472,010
Less: institutional financial aid	(107,013)	(4,124)		(111,137)
Net student revenue	309,498	53,628	(2,253)	360,873
Patient care activities		83,415		83,415
State appropriations	8,729	10,077		18,806
Government grants and contracts	64,992	24,902		89,894
Private grants and contracts	10,394	3,973		14,367
Private gifts	27,665	16,843	(5,112)	39,396
Endowment payout under spending formula	18,119	6,915		25,034
Investment income	7,080	4,361		11,441
Sales and services of auxiliary enterprises	59,516			59,516
Other sources	13,885	7,975	(2,540)	19,320
Total operating revenue	**519,878**	**212,089**	**(9,905)**	**722,062**
OPERATING EXPENSE				
College programs	208,903	19,427		228,330
Research and public service	61,505	23,990		85,495
Academic support	9,636	9,789		19,425
Student services	31,325	1,936		33,261
Institutional support	68,328	25,600	(9,747)	84,181
Scholarships and fellowships	11,420	4,976		16,396
Auxiliary enterprises	32,347			32,347
Total education and general	**423,464**	**85,718**	**(9,747)**	**499,435**
Patient care activities		97,141		97,141
Operation and maintenance	29,020	12,947		41,967
Interest	14,669	1,177		15,846
Depreciation	18,938	6,352	(158)	25,132
Total operating expense	**486,091**	**203,335**	**(9,905)**	**679,521**
Change in net assets from operating activities	**33,787**	**8,754**		**42,541**
NON-OPERATING ACTIVITY				
Endowment and other gifts	3,302	1,444		4,746
Realized/unrealized loss on investments, including endowment payout of $18,322	(61,113)	(33,219)		(94,332)
Other non-operating expense	(7,581)	(46)		(7,627)
Change in net assets from non-operating activities	**(65,392)**	**(31,821)**		**(97,213)**
Change in net assets	**(31,605)**	**(23,067)**		**(54,672)**
Net assets at beginning of year	**601,590**	**241,317**		**842,907**
Net assets at end of year	**$ 569,985**	**$ 218,250**	**$ -**	**$ 788,235**

See notes to consolidated financial statements.