

# Drexel University and Subsidiaries

Consolidated Financial Statements as of and  
for the Years Ended June 30, 2011 and 2010,  
Schedule of Expenditures of Federal Awards  
for the Year Ended June 30, 2011, and  
Independent Auditors' Reports in Accordance With  
*Government Auditing Standards* and Office of  
Management and Budget Circular A-133

# DREXEL UNIVERSITY AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Drexel University  
Philadelphia, Pennsylvania

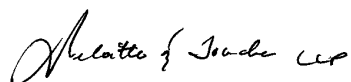
We have audited the accompanying consolidated statements of financial position of Drexel University and subsidiaries (the "University") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the University. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University, as of June 30, 2011 and 2010, 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 performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2011 is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. This schedule is the responsibility of the University's management. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of our audits.



September 20, 2011

**DREXEL UNIVERSITY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS of FINANCIAL POSITION**  
as of June 30, 2011 and 2010 (in thousands)

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and cash equivalents:		
Operating cash	\$ 58,504	\$ 32,016
Risk Retention Group cash	4,773	4,507
Accounts receivable, net:		
Tuition	47,368	41,797
Grants, contracts and other	33,865	35,577
Patients	6,890	7,268
Tenet Healthcare Corporation	981	2,175
Total accounts receivable, net	<u>89,104</u>	<u>86,817</u>
Contributions receivable, net	100,313	52,440
Other assets	25,368	22,623
Deposits with bond trustees	101,566	27,847
Student loans receivable, net	30,690	32,654
Beneficial interests in trusts	38,939	21,061
Investments	544,696	466,907
Land, buildings and equipment, net	<u>644,834</u>	<u>606,162</u>
<b>Total assets</b>	<b><u>\$ 1,638,787</u></b>	<b><u>\$ 1,353,034</u></b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 44,626	\$ 41,862
Accrued expenses	92,351	83,124
Deposits	31,064	19,460
Deferred revenue	72,777	69,727
Capital lease	3,087	3,119
Government advances for student loans	26,252	26,005
Postretirement benefits	35,944	33,777
Bonds and notes payable	<u>480,524</u>	<u>390,192</u>
<b>Total liabilities</b>	<b><u>786,625</u></b>	<b><u>667,266</u></b>
 <b>NET ASSETS</b>		
Unrestricted	394,557	336,683
Temporarily restricted	233,249	144,022
Permanently restricted	<u>224,356</u>	<u>205,063</u>
<b>Total net assets</b>	<b><u>852,162</u></b>	<b><u>685,768</u></b>
 <b>Total liabilities and net assets</b>	<b><u>\$ 1,638,787</u></b>	<b><u>\$ 1,353,034</u></b>

See notes to consolidated financial statements.

**DREXEL UNIVERSITY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENT of ACTIVITIES**  
for the year ended June 30, 2011 (in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUE</b>				
Tuition and fees	\$ 610,186			\$ 610,186
Less: institutional financial aid	(137,727)			(137,727)
Net student revenue	472,459			472,459
Patient care activities	95,595			95,595
State appropriations	13,652			13,652
Government grants, contracts and contributions	102,657	\$ 19,016		121,673
Private grants and contracts	13,886			13,886
Private gifts	4,647	61,893		66,540
Endowment payout under spending formula	9,373	12,477	\$ 126	21,976
Investment income	2,796	1,074		3,870
Sales and services of auxiliary enterprises	73,902			73,902
Other sources	13,403			13,403
Net assets released from restrictions	35,736	(36,195)	459	
<b>Total operating revenue</b>	<b>838,106</b>	<b>58,265</b>	<b>585</b>	<b>896,956</b>
<b>OPERATING EXPENSE</b>				
College programs	275,042			275,042
Research and public service	97,877			97,877
Academic support	22,017			22,017
Student services	39,823			39,823
Institutional support	105,392			105,392
Scholarships and fellowships	16,971			16,971
Auxiliary enterprises	39,042			39,042
<b>Total education and general</b>	<b>596,164</b>			<b>596,164</b>
Patient care activities	110,959			110,959
Operation and maintenance	44,120			44,120
Interest	16,590			16,590
Depreciation and amortization	31,227			31,227
<b>Total operating expense</b>	<b>799,060</b>			<b>799,060</b>
<b>Change in net assets from operating activities</b>	<b>39,046</b>	<b>58,265</b>	<b>585</b>	<b>97,896</b>
<b>NON-OPERATING ACTIVITY</b>				
Endowment and other gifts			15,318	15,318
Realized/unrealized gain on investments, net of endowment payout of \$18,196	28,308	30,962	3,390	62,660
Other non-operating expense	(9,480)			(9,480)
<b>Change in net assets from non-operating activities</b>	<b>18,828</b>	<b>30,962</b>	<b>18,708</b>	<b>68,498</b>
<b>Change in net assets</b>	<b>57,874</b>	<b>89,227</b>	<b>19,293</b>	<b>166,394</b>
<b>Net assets at beginning of year</b>	<b>336,683</b>	<b>144,022</b>	<b>205,063</b>	<b>685,768</b>
<b>Net assets at end of year</b>	<b>\$ 394,557</b>	<b>\$ 233,249</b>	<b>\$ 224,356</b>	<b>\$ 852,162</b>

See notes to consolidated financial statements.

**DREXEL UNIVERSITY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENT of ACTIVITIES**  
for the year ended June 30, 2010 (in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUE</b>				
Tuition and fees	\$ 556,986			\$ 556,986
Less: institutional financial aid	(126,327)			(126,327)
Net student revenue	<u>430,659</u>			<u>430,659</u>
Patient care activities	91,118			91,118
State appropriations	12,876			12,876
Government grants and contracts	99,301			99,301
Private grants and contracts	16,709			16,709
Private gifts	3,517	\$ 8,383		11,900
Endowment payout under spending formula	10,496	13,484	\$ 345	24,325
Investment income	1,790	1,038		2,828
Sales and services of auxiliary enterprises	68,832			68,832
Other sources	10,350			10,350
Net assets released from restrictions	34,099	(36,179)	2,080	
<b>Total operating revenue</b>	<u><b>779,747</b></u>	<u><b>(13,274)</b></u>	<u><b>2,425</b></u>	<u><b>768,898</b></u>
<b>OPERATING EXPENSE</b>				
College programs	261,598			261,598
Research and public service	94,884			94,884
Academic support	23,344			23,344
Student services	36,923			36,923
Institutional support	88,980			88,980
Scholarships and fellowships	18,855			18,855
Auxiliary enterprises	36,342			36,342
<b>Total education and general</b>	<u><b>560,926</b></u>			<u><b>560,926</b></u>
Patient care activities	108,875			108,875
Operation and maintenance	46,434			46,434
Interest	13,876			13,876
Depreciation and amortization	29,612			29,612
<b>Total operating expense</b>	<u><b>759,723</b></u>			<u><b>759,723</b></u>
<b>Change in net assets from operating activities</b>	<u><b>20,024</b></u>	<u><b>(13,274)</b></u>	<u><b>2,425</b></u>	<u><b>9,175</b></u>
<b>NON-OPERATING ACTIVITY</b>				
Endowment and other gifts			2,516	2,516
Realized/unrealized gain on investments, net of endowment payout of \$20,624	3,253	9,102	1,612	13,967
Other non-operating expense	(13,342)			(13,342)
<b>Change in net assets from non-operating activities</b>	<u><b>(10,089)</b></u>	<u><b>9,102</b></u>	<u><b>4,128</b></u>	<u><b>3,141</b></u>
<b>Change in net assets</b>	<u><b>9,935</b></u>	<u><b>(4,172)</b></u>	<u><b>6,553</b></u>	<u><b>12,316</b></u>
<b>Net assets at beginning of year</b>	<u><b>326,748</b></u>	<u><b>148,194</b></u>	<u><b>198,510</b></u>	<u><b>673,452</b></u>
<b>Net assets at end of year</b>	<u><u><b>\$ 336,683</b></u></u>	<u><u><b>\$ 144,022</b></u></u>	<u><u><b>\$ 205,063</b></u></u>	<u><u><b>\$ 685,768</b></u></u>

See notes to consolidated financial statements.

**DREXEL UNIVERSITY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS of CASH FLOWS**  
**for the years ended June 30, 2011 and 2010 (in thousands)**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 166,394	\$ 12,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property	31,227	29,612
Provision for uncollectible accounts	858	792
Loss on disposal of equipment	78	126
Increase in beneficial interests in trusts	(17,878)	(1,243)
Contributions for long-term investment	(15,318)	(2,516)
Actuarial change on annuity liabilities	569	843
Realized/unrealized gain on investments	(80,856)	(34,591)
Changes in operating assets and liabilities:		
Accounts receivable	(3,233)	(4,460)
Contributions receivable	(47,638)	16,977
Accounts payable and accrued expenses	13,231	2,184
Postretirement benefits	2,167	5,800
Other assets	(2,745)	20,596
Deposits and deferred revenue	14,654	(3,998)
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	<b>61,510</b>	<b>42,438</b>
	<hr/>	<hr/>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(206,341)	(96,394)
Proceeds from sale of investments	209,408	91,009
Proceeds from student loan collections	5,308	4,742
Student loans issued	(3,491)	(3,096)
Purchase of land, buildings and equipment	(71,158)	(87,137)
Deposits placed with bond trustees	(156,705)	
Use of deposits with bond trustees	82,986	54,357
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(139,993)</b>	<b>(36,519)</b>
	<hr/>	<hr/>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowments	15,318	2,516
Payments on annuity obligations	(660)	(295)
Government advances (refunds) for student loans	247	(194)
Proceeds from long-term borrowings	160,299	
Repayment of long-term debt	(69,967)	(12,756)
	<hr/>	<hr/>
<b>Net cash provided by (used in) financing activities</b>	<b>105,237</b>	<b>(10,729)</b>
	<hr/>	<hr/>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>26,754</b>	<b>(4,810)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>36,523</b>	<b>41,333</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 63,277</b>	<b>\$ 36,523</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>SUPPLEMENTAL INFORMATION</b>		
Gifts in kind	\$ 792	\$ 1,128
Cash paid for interest	\$ 15,589	\$ 14,088
Amounts accrued for purchase of land, buildings and equipment	\$ 9,075	\$ 10,224

See notes to consolidated financial statements.

**DREXEL UNIVERSITY and SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**for the Years Ended June 30, 2011 and 2010**

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**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 on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. 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.

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 the 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 subject to donor-imposed restrictions that can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time. 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.

**Unrestricted:** Net assets not subject to donor-imposed stipulations that 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 shown 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.

**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 Healthcare Corporation ("Tenet") intended to establish a relationship to foster continued coordination and integration between PHEC and the Tenet hospitals whereby PHEC agrees to provide administrative, supervisory and teaching services to Tenet at budgeted levels. 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 (see Note 14).



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

In addition, PHEC has agreed to provide teaching and administrative services for the education of the University's medical students and students in the health professions in accordance with an agreement, which renews annually, that is effective until June 30, 2012. PHEC has also engaged the University to provide services 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 used 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.

**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 was split 87% and 13% between PHEC and the University, respectively, through November 9, 2010. Effective November 10, 2010, the ownership allocation was adjusted to 85% for PHEC and 15% for the University (see Note 12).

At June 30, 2011, the assets and ownership equity of the RRRG amounted to \$32,671,000 and \$5,138,000, respectively, and net investment income and the net operating deficit were \$1,173,000 and (\$481,000), respectively. At June 30, 2010, the assets and ownership equity of the RRRG amounted to \$32,290,000 and \$4,446,000, respectively, and net investment income and the net operating deficit were \$1,008,000 and (\$1,251,000), respectively. The balances and activities of the RRRG are included in the accompanying consolidated 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.

**Contributions Receivable:** Contributions and unconditional pledges are recognized at fair value.

**Beneficial Interests in Trusts:** Gifts held by outside trustees for which 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.

**Fair Value of Financial Instruments:** The University applies fair value measurements to contributions receivable, beneficial interests in trusts, endowment investments, self-insurance escrow funds, real estate, deposits with bond trustees, interest rate swaps and annuities. 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 Note 3). See Notes 4, 5, 6 and 10 for additional fair value disclosures.

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

**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 2011 and 2010, revenue from Medicare and Medicaid programs combined and from managed care payers accounted for 20% and 53%, respectively, and 17% and 54%, respectively, of gross patient service revenue.

**Non-operating Activities:** Non-operating activities include permanently restricted contributions, gain on investments net of payouts under the endowment spending policies, claims related to PHEC, loss on the disposal of equipment, postretirement benefit adjustment, severances, start-up costs for the Drexel College of Law and Sacramento Center for Graduate Studies and unamortized issue costs related to the refinancing of debt.

**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.

**Recent Accounting Pronouncements:** In September 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-12 *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 amends Accounting Standards Codification ("ASC") Topic 820 for Fair Value Measurements and Disclosures to: (1) permit a reporting entity, in certain situations as a practical expedient, to measure the fair value of an alternative investment on the basis of the net asset value per share of the investment, and (2) require additional disclosures for such investments. The changes related to this update are effective for periods ending after December 15, 2009. The University adopted this guidance for the year ended June 30, 2010 (see Note 6).

Effective June 30, 2010, the University implemented FASB ASC 815-10, *Disclosures about Derivative Instruments and Hedging Activities*, that requires disclosures on 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. The impact of ASC 815-10 is limited to the additional disclosures regarding these activities shown in the Accounting for Derivative Instruments and Hedging Activities section below.

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

Effective July 1, 2010, the University adopted ASU No. 2010-06, *Fair Value Measurements and Disclosures*, which amends ASC 820, adding new disclosure requirements for Levels 1 and 2; separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. The impact of ASU 2010-06 is limited to these additional disclosures (see Note 6).

On July 21, 2010, the FASB issued ASU 2010-20, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which amends ASC 310, *Receivables*, by requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The objective of enhancing these disclosures is to improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. ASU 2010-20 was adopted by the University on June 30, 2011 (see Note 3).

**Accounting for Derivative Instruments and Hedging Activities:** The University 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 a gain of \$779,000 in 2011 and a loss of \$1,473,000 in 2010, reported as an unrealized gain/loss on investments in the consolidated statement of activities. The estimated fair value of the agreement was (\$2,890,000) and (\$3,669,000), respectively, at June 30, 2011 and 2010.

The University has also 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 gain of \$115,000 in 2011 and a loss of \$413,000 in 2010, reported as an unrealized gain/loss on investments in the consolidated statement of activities. The estimated fair value of the agreement was (\$418,000) and (\$533,000) at June 30, 2011 and 2010.

The swap agreements are used by the University to reduce exposure to the volatility in variable interest rates on long-term debt. The fixed payments due under the swap agreements were higher than the underlying variable payments in 2011 and 2010, which negatively affected the University's unrestricted financial position, financial performance and cash flows. There were no other swap agreements in effect as of June 30, 2011 or 2010. The fair value of the swap agreements is reported as accrued expenses in the consolidated statements of financial position.

## Note 2: Net Assets

Net assets included the following:

	(in thousands)	
	2011	2010
Unrestricted:		
Undesignated	\$ (213,158)	\$ (176,025)
Designated for colleges, departments and student loans	89,878	84,692
Physical plant	296,197	269,973
Quasi-endowment funds	225,909	171,860
Reclassification for endowments with deficiencies	(4,269)	(13,817)
<b>Total unrestricted</b>	<b>394,557</b>	<b>336,683</b>
Temporarily restricted:		
Funds for instruction, scholarships and capital expenditures:		
Unexpended	145,047	90,167
Endowment realized and unrealized gain	77,486	33,256
Reclassification for endowments with deficiencies	4,269	13,817
Life income and term endowment funds	6,447	6,782
<b>Total temporarily restricted</b>	<b>233,249</b>	<b>144,022</b>
Permanently restricted:		
Endowment principal	197,281	181,151
Beneficial interests in trusts	20,417	17,450
Student loans and others	6,658	6,462
<b>Total permanently restricted</b>	<b>224,356</b>	<b>205,063</b>
<b>Total net assets</b>	<b>\$ 852,162</b>	<b>\$ 685,768</b>

## Note 3: Receivables

Accounts receivable are reported at their net realizable value. Accounts are written off against the allowance for doubtful accounts when they are determined to be uncollectible based upon management's assessment of the individual accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of the accounts. Interest is not accrued on the balances. Accounts receivable, net of allowances, were as follows:

	(in thousands)	
	2011	2010
Tuition	\$ 53,474	\$ 47,614
Grants, contracts and other	34,961	36,582
Patients, net of contractual allowances	12,780	12,592
Tenet Healthcare Corporation	981	2,175
	102,196	98,963
Less allowance for doubtful accounts	(13,092)	(12,146)
<b>Accounts receivable, net</b>	<b>\$ 89,104</b>	<b>\$ 86,817</b>

### Note 3: Receivables, continued...

Student loans are disbursed based on financial need and include loans granted by the University from institutional resources and under federal government loan programs. Students have a grace period until repayment is required based upon the earlier of graduation or no longer achieving full-time status. The grace period varies depending on the type of loan. Loans accrue interest after the grace period and are repaid directly to the University. Student loans are uncollateralized and carry default risk. At June 30, 2011 and 2010, student loans represented 1.8% and 2.4% of total assets, respectively.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of \$26,252,000 and \$26,005,000 at June 30, 2011 and 2010, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the government.

At June 30, 2011 and 2010, student loans consisted of the following:

	(in thousands)	
	2011	2010
Student loans:		
Federal government loan programs:		
Perkins loan program	\$ 20,927	\$ 23,798
Health Professions Student Loans and Loans for Disadvantaged Students	5,593	5,613
Nursing student loans	43	42
	<hr/>	<hr/>
Federal government loan programs	26,563	29,453
Institutional loan programs	7,523	6,450
	<hr/>	<hr/>
	34,086	35,903
Less allowance for doubtful accounts:		
Balance, beginning of year	(3,249)	(3,030)
Provision for doubtful accounts	(147)	(219)
Balance, end of year	<hr/>	<hr/>
	(3,396)	(3,249)
	<hr/>	<hr/>
<b>Student loans receivable, net</b>	<b>\$ 30,690</b>	<b>\$ 32,654</b>

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts according to the terms of the loan. Further, the University does not evaluate the credit quality of student loans receivable after the initial approval of the loan. Student loans are considered past due when payment is not received within 30 days of the due date, and interest continues to accrue until the loan is paid in full or written off. When student loans receivable are deemed uncollectible, an allowance for doubtful accounts is established.

### Note 3: Receivables, continued...

The University considers the age of the amounts outstanding in determining the collectibility of student loans receivable. The aging of student loans receivable based on days delinquent and the related allowance for doubtful accounts at June 30, 2011 and 2010 is as follows:

	(in thousands)				
	<u>&lt; 30 Days</u>	<u>30-60 Days</u>	<u>61-90 Days</u>	<u>&gt;= 91 Days</u>	<u>Total</u>
<b>2011</b>					
Student loans receivable:					
Federal government loan programs	\$ 20,798	\$ 687	\$ 565	\$ 4,513	\$ 26,563
Institutional loan programs	5,402	100	34	1,987	7,523
Total student loans receivable	<u>26,200</u>	<u>787</u>	<u>599</u>	<u>6,500</u>	<u>34,086</u>
Allowance for doubtful accounts:					
Federal government loan programs			(56)	(2,158)	(2,214)
Institutional loan programs			(3)	(1,179)	(1,182)
Total allowance for doubtful accounts			<u>(59)</u>	<u>(3,337)</u>	<u>(3,396)</u>
<b>Student loans receivable, net</b>	<b><u>\$ 26,200</u></b>	<b><u>\$ 787</u></b>	<b><u>\$ 540</u></b>	<b><u>\$ 3,163</u></b>	<b><u>\$ 30,690</u></b>
<b>2010</b>					
Student loans receivable:					
Federal government loan programs	\$ 23,965	\$ 682	\$ 214	\$ 4,593	\$ 29,454
Institutional loan programs	4,498	128	53	1,770	6,449
Total student loans receivable	<u>28,463</u>	<u>810</u>	<u>267</u>	<u>6,363</u>	<u>35,903</u>
Allowance for doubtful accounts:					
Federal government loan programs			(22)	(2,205)	(2,227)
Institutional loan programs			(6)	(1,016)	(1,022)
Total allowance for doubtful accounts			<u>(28)</u>	<u>(3,221)</u>	<u>(3,249)</u>
<b>Student loans receivable, net</b>	<b><u>\$ 28,463</u></b>	<b><u>\$ 810</u></b>	<b><u>\$ 239</u></b>	<b><u>\$ 3,142</u></b>	<b><u>\$ 32,654</u></b>

### Note 4: Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable are recorded net of a discount based on the current yields for two-to-twenty year U.S. Treasury notes, which averaged 2.3% at June 30, 2011, and two-to-ten year U.S. Treasury notes, which averaged 2% at June 30, 2010. The University considers these discount rates to be a Level 3 input in the context of ASC 820-10 (see Note 6).

**Note 4: Contributions Receivable, continued...**

Net contributions receivable at June 30 were as follows:

	(in thousands)	
	2011	2010
Amounts due in:		
Less than one year	\$ 22,112	\$ 6,393
One to five years	40,557	32,532
Greater than five years	56,991	24,613
Gross contributions receivable	<u>119,660</u>	<u>63,538</u>
Less:		
Allowance for uncollectibles	(942)	(1,177)
Discounts to present value	<u>(18,405)</u>	<u>(9,921)</u>
<b>Total contributions receivable, net</b>	<b><u>\$ 100,313</u></b>	<b><u>\$ 52,440</u></b>

Outstanding conditional promises to give amounted to \$23,065,000 and \$15,706,000 at June 30, 2011 and 2010, respectively, which are dependent upon the fulfillment of certain conditions and, therefore, not included in the consolidated financial statements.

The following table summarizes the change in net contributions receivable as of June 30:

	(in thousands)	
	2011	2010
<b>Net contributions receivable, beginning of year</b>	<b>\$ 52,440</b>	<b>\$ 69,404</b>
New pledges	60,873	3,923
Collections and adjustments	(4,751)	(22,912)
Decrease in allowance for uncollectibles	235	13
(Increase) decrease in present value discounts	<u>(8,484)</u>	<u>2,012</u>
<b>Net contributions receivable, end of year</b>	<b><u>\$ 100,313</u></b>	<b><u>\$ 52,440</u></b>

**Note 5: Investments and Investment Return**

At June 30, 2011 and 2010, the fair value of investments included the following:

	(in thousands)	
	2011	2010
	<u>Fair Value</u>	<u>Fair Value</u>
Equity securities	\$ 224,581	\$ 208,593
Fixed income securities and bond funds	43,569	42,280
Mutual funds	8,209	
Alternative investments	78,855	63,318
Real estate and real assets	148,959	80,960
Money market funds	7,817	20,507
<b>Total endowment investments</b>	<b><u>511,990</u></b>	<b><u>415,658</u></b>
Self-insurance escrow funds (Note 12)	11,367	9,798
Balanced index fund (Notes 12 and 14)	21,022	15,749
Real estate	<u>317</u>	<u>25,702</u>
<b>Total investments</b>	<b><u>\$ 544,696</u></b>	<b><u>\$ 466,907</u></b>

## Note 5: Investments and Investment Return, continued...

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2011 and 2010:

	(in thousands)			
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 3,780			\$ 3,780
Net realized and unrealized gain	28,308	\$ 49,032	\$ 3,516	80,856
Return on endowment investments	32,088	49,032	3,516	84,636
Interest on other investments	2,796	1,074		3,870
Total return on investments	34,884	50,106	3,516	88,506
Investment return designated for current operations	(6,576)	(19,144)	(126)	(25,846)
<b>Investment return in excess of amounts designated for current operations</b>	<b>\$ 28,308</b>	<b>\$ 30,962</b>	<b>\$ 3,390</b>	<b>\$ 62,660</b>

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 3,701			\$ 3,701
Net realized and unrealized gain	3,253	\$ 29,381	\$ 1,957	34,591
Return on endowment investments	6,954	29,381	1,957	38,292
Interest on other investments	1,790	1,038		2,828
Total return on investments	8,744	30,419	1,957	41,120
Investment return designated for current operations	(5,491)	(21,317)	(345)	(27,153)
<b>Investment return in excess of amounts designated for current operations</b>	<b>\$ 3,253</b>	<b>\$ 9,102</b>	<b>\$ 1,612</b>	<b>\$ 13,967</b>

## Note 6: Fair Value of Financial Instruments

The three-level hierarchy for fair value measurements is based on observable inputs to the valuation of an asset or liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Fair value is defined 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.



## Note 6: Fair Value of Financial Instruments, continued...

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. When available, fair value is based on actively-quoted market prices. 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.

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 fair value hierarchy and inputs to valuation techniques are as follows:

*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 equity 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, certain bond investments, mutual funds, structured products, real estate and interest rate swaps.

*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, alternative and private equities, contributions receivable and annuities.

The University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies. At June 30, 2011, one investment transferred from Level 3 to Level 2 as a result of an increase in liquidity due to the release of restrictions for redemption. The University's policy is to recognize such transfers at the end of the reporting period.

## Note 6: Fair Value of Financial Instruments, continued...

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

	(in thousands)			
	Total	Level 1	Level 2	Level 3
<b>2011</b>				
<b>Assets at Fair Value:</b>				
Deposits with bond trustees	\$ 101,566	\$ 101,566		
Beneficial interests in trusts	38,939	38,939		
<b>Investments:</b>				
Equity securities	224,581	224,581		
Fixed income securities and bond funds	43,569	28,784	\$ 14,785	
Mutual funds	8,209		8,209	
Alternative investments	78,855		9,716	\$ 69,139
Real estate and real assets	148,959	19,774	111,308	17,877
Money market funds	7,817	7,817		
Investments held in endowment	511,990	280,956	144,018	87,016
Self-insurance escrow funds (Note 12)	11,367	11,367		
Balanced index fund (Note 12)	21,022	21,022		
Real estate	317		317	
<b>Total investments</b>	<b>544,696</b>	<b>313,345</b>	<b>144,335</b>	<b>87,016</b>
<b>Total assets</b>	<b>\$ 685,201</b>	<b>\$ 453,850</b>	<b>\$ 144,335</b>	<b>\$ 87,016</b>
<b>Liabilities at Fair Value:</b>				
Interest rate swaps (Note 1)	\$ 3,308		\$ 3,308	
Annuities	5,746			\$ 5,746
<b>Total liabilities</b>	<b>\$ 9,054</b>		<b>\$ 3,308</b>	<b>\$ 5,746</b>
<b>2010</b>				
<b>Assets at Fair Value:</b>				
Deposits with bond trustees	\$ 27,847	\$ 27,847		
Beneficial interests in trusts	21,061	21,061		
<b>Investments:</b>				
Equity securities	208,593	208,593		
Fixed income securities and bond funds	42,280	26,925	\$ 15,355	
Alternative investments	63,318			\$ 63,318
Real estate and real assets	80,960	15,929	58,545	6,486
Money market funds	20,507	20,507		
Investments held in endowment	415,658	271,954	73,900	69,804
Self-insurance escrow funds (Note 12)	9,798	9,798		
Balanced index fund (Note 12)	15,749	15,749		
Real estate	25,702		25,702	
<b>Total investments</b>	<b>466,907</b>	<b>297,501</b>	<b>99,602</b>	<b>69,804</b>
<b>Total assets</b>	<b>\$ 515,815</b>	<b>\$ 346,409</b>	<b>\$ 99,602</b>	<b>\$ 69,804</b>
<b>Liabilities at Fair Value:</b>				
Interest rate swaps (Note 1)	\$ 4,202		\$ 4,202	
Annuities	5,837			\$ 5,837
<b>Total liabilities</b>	<b>\$ 10,039</b>		<b>\$ 4,202</b>	<b>\$ 5,837</b>

## Note 6: Fair Value of Financial Instruments, continued...

Detail related to the fair value of investments that have been estimated using a net asset value equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable) was as follows:

	(in thousands)		Redemption Frequency (if currently eligible)	Redemption Notice Period (if applicable)
	Fair Value	Unfunded Commitments		
<b>2011</b>				
Multi-Strategy Hedge Funds (a)	\$ 13,364		Quarterly	65 days
Distressed Debt Hedge Funds (b)	21,269		Quarterly/Annually	90 days
Fixed Income Hedge Funds (c)	9,716		Monthly	60 days
Private Capital Funds - Secondaries (d)	5,993	\$ 4,800		
Private Capital Funds - Venture Capital (e)	7,484	1,342		
Private Capital Funds - Distressed Debt (f)	4,452	3,482		
Private Capital Funds - Buy-out (g)	2,441	36		
Real Asset Funds (h)	7,658	9,603		
Real Estate Funds (i)	5,736	3,604		
Long/Short Equity Hedge Funds (j)	16,005		Quarterly	45 days
Private Capital Funds - Hedge Fund Seeder (k)	2,171	5,325		
Private Capital Funds - Mezzanine Debt (l)	443	4,400		
<b>Total</b>	<b>\$ 96,732</b>	<b>\$ 32,592</b>		
<b>2010</b>				
Multi-Strategy Hedge Funds (a)	\$ 18,828		Quarterly	65 days
Distressed Debt Hedge Funds (b)	19,570		Quarterly/Annually	90 days
Fixed Income Hedge Funds (c)	9,228		Monthly	60 days
Private Capital Funds - Secondaries (d)	1,240	\$ 9,060		
Private Capital Funds - Venture Capital (e)	7,539	1,752		
Private Capital Funds - Distressed Debt (f)	4,290	4,398		
Private Capital Funds - Buy-out (g)	2,621	66		
Real Asset Funds (h)	3,143	9,180		
Real Estate Funds (i)	3,345	4,869		
<b>Total</b>	<b>\$ 69,804</b>	<b>\$ 29,325</b>		

- (a) This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The composite portfolio includes approximately 57% in distressed investments with a liquidation period of 1 to 3 years, 21% arbitrage opportunities, 9% cash, 7% long/short equity and 6% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. As of June 30, 2010, this category included investments of approximately 57% in credit and distressed credit (with a liquidation period of 1 to 3 years), 19% arbitrage opportunities, 9% cash, 6% long/short equity and 9% private equity. If the private equity investments were held, it is estimated that the underlying assets would have been liquidated over the next 1 to 4 years.

## Note 6: Fair Value of Financial Instruments, continued...

- (b) This category includes investments in hedge funds that invest in debt of companies that are in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair value has been estimated using the net asset value per share of the investments. As of June 30, 2010, the liquidation period would have been the same (1 to 3 years) as the investment horizon was still 1 to 3 years.
- (c) This category includes investments in hedge funds that invest in publicly traded corporate bonds, sovereign debt and currency forward contracts of emerging market countries. The fair value has been estimated using the net asset value per share of the investments. There were no changes in this category from June 30, 2010.
- (d) This category includes investments in private equity funds that invest in the secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If the investments were held, it is estimated that the underlying assets of the fund would be liquidated over 3 to 5 years. As of June 30, 2010, the estimated liquidation period would have been 3 to 6 years.
- (e) This category includes investments in private equity funds that invest primarily in technology and healthcare companies in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the funds would be liquidated over 2 to 5 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 3 to 6 years.
- (f) This category includes investments in private equity funds that invest in legacy loans and securities which banks are otherwise unable to remove from their balance sheets. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 6 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 1 to 7 years.
- (g) This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are primarily in U.S. technology and healthcare companies. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 3 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 2 to 4 years.
- (h) This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 6 to 10 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 7 to 11 years.

**Note 6: Fair Value of Financial Instruments, continued...**

- (i) This category includes investments in private equity funds that invest primarily in U.S. commercial real estate. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over the following time frames: approximately 12% in 2 to 4 years, 71% in 6 to 8 years and 17% in 9 to 11 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over the following time frames: approximately 12% in 2 to 5 years and approximately 88% in 7 to 9 years.
- (j) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. The fair values of the investments have been estimated using the net asset value per share of the investments. Investments representing approximately 50% of the value of the investments cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 months after acquisition. The remaining restriction period for these investments was three months at June 30, 2011.
- (k) This category includes investments in private equity funds that invest in newly started hedge funds that pursue multiple strategies. The fund provides start-up funding to hedge funds of various strategies with the potential to share in the appreciation of the investment, as well as to share in the management fees gathered by the underlying start-up hedge funds. As of June 30, 2011, the fund's underlying investments were 62% long/short global equity, 21% macro and commodity trading and 17% in global event-driven opportunities. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets would be liquidated in 5 to 8 years.
- (l) This category includes investments in private equity funds that provide mezzanine debt financing to middle market firms. Mezzanine debt differs from mortgage debt in that the mezzanine debt is backed by equity interests in the borrowing firm, versus mortgage financing which is backed by the asset. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets would be liquidated over 5 to 8 years.

The net change in Level 3 assets and liabilities as of June 30 included the following:

	(in thousands)	
	2011	2010
<b>Assets, beginning of year</b>	<b>\$ 69,804</b>	<b>\$ 55,843</b>
Net unrealized gain	5,761	3,579
Net realized gain	680	1,149
Purchases	32,078	12,235
Sales	(11,591)	(3,002)
Funds transferred to Level 2	(9,716)	
<b>Assets, end of year</b>	<b>\$ 87,016</b>	<b>\$ 69,804</b>

## Note 6: Fair Value of Financial Instruments, continued...

	(in thousands)	
	2010	2009
Annuities, beginning of year	\$ 5,837	\$ 5,289
Actuarial change on annuity liabilities	569	843
Payments on annuity liabilities	(660)	(295)
Annuities, end of year	<u>\$ 5,746</u>	<u>\$ 5,837</u>

## Note 7: Endowment Funds

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 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.

For the years ended June 30, 2011 and 2010, the University had an endowment spending rule that limited the spending of endowment resources to 5% of the average fair 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.

The University's endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments (quasi endowments). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. 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.

**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.

**Note 7: Endowment Funds, continued...**

Endowment net asset composition by type of fund as of June 30 was as follows:

<u>2011</u>	(in thousands)			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ 21,607	\$ 72,357	\$ 197,281	\$ 291,245
Board-designated endowment funds	195,017	28,183		223,200
<b>Total net assets</b>	<b>\$ 216,624</b>	<b>\$ 100,540</b>	<b>\$ 197,281</b>	<b>\$ 514,445</b>

<u>2010</u>				
Donor-restricted endowment funds	\$ 14,380	\$ 42,221	\$ 181,151	\$ 237,752
Board-designated endowment funds	151,384	28,084		179,468
<b>Total net assets</b>	<b>\$ 165,764</b>	<b>\$ 70,305</b>	<b>\$ 181,151</b>	<b>\$ 417,220</b>

Changes in endowment net assets for the years ended June 30, 2011 and 2010 were as follows:

<u>2011</u>	(in thousands)			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>Endowment net assets, beginning of year</b>	<b>\$ 165,764</b>	<b>\$ 70,305</b>	<b>\$ 181,151</b>	<b>\$ 417,220</b>
Investment return:				
Investment income, net of fees	1,336	2,103	149	3,588
Net realized gain	8,730	13,376	50	22,156
Net unrealized gain	17,481	39,078	358	56,917
Reclassification for funds with deficiencies	9,548	(9,548)		
<b>Total investment return</b>	<b>37,095</b>	<b>45,009</b>	<b>557</b>	<b>82,661</b>
Contributions	20	270	15,283	15,573
Use of endowment assets:				
Annual transfer for operations	(7,829)	(14,147)		(21,976)
Other transfers	21,574	(897)	290	20,967
<b>Total uses</b>	<b>13,745</b>	<b>(15,044)</b>	<b>290</b>	<b>(1,009)</b>
<b>Endowment net assets, end of year</b>	<b>\$ 216,624</b>	<b>\$ 100,540</b>	<b>\$ 197,281</b>	<b>\$ 514,445</b>

**Note 7: Endowment Funds, continued...**

	(in thousands)				
	<u>2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, beginning of year</b>	<b>\$ 158,429</b>	<b>\$ 61,008</b>	<b>\$ 176,288</b>	<b>\$ 395,725</b>	
Investment return:					
Investment income, net of fees	2,015	2,562	(33)	4,544	
Net realized gain	2,170	1,665	31	3,866	
Net unrealized gain	11,406	18,160	180	29,746	
Reclassification for funds with deficiencies	2,947	(2,947)			
Total investment return	<u>18,538</u>	<u>19,440</u>	<u>178</u>	<u>38,156</u>	
Contributions		4,218	2,424	6,642	
Use of endowment assets:					
Annual transfer for operations	(10,665)	(13,660)		(24,325)	
Other transfers	(538)	(701)	2,261	1,022	
Total uses	<u>(11,203)</u>	<u>(14,361)</u>	<u>2,261</u>	<u>(23,303)</u>	
<b>Endowment net assets, end of year</b>	<b><u>\$ 165,764</u></b>	<b><u>\$ 70,305</u></b>	<b><u>\$ 181,151</u></b>	<b><u>\$ 417,220</u></b>	

**Endowment Funds with Deficiencies** - From time to time, 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 maintain or exceed the level required. In accordance with generally accepted accounting principles, the aggregate amount of these deficiencies is reported in unrestricted net assets in the consolidated statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies were \$4,269,000 and \$13,817,000 as of June 30, 2011 and 2010, respectively.

**Note 8: 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. Amortization and depreciation is computed on a straight-line basis over the lesser of the estimated useful lives of the assets or term of the lease or depreciated over the following useful lives: 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 20 years.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was \$864,000 and \$3,509,000 at June 30, 2011 and \$935,000 and \$3,408,000 at June 30, 2010, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the consolidated statements of financial position.



## Note 8: Land, Buildings and Equipment, continued...

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

	(in thousands)	
	2011	2010
Art collection	\$ 10,504	\$ 10,481
Land and improvements	69,828	66,224
Buildings and improvements	608,219	591,713
Equipment, software and library books	161,166	152,116
Construction in progress	85,667	46,874
	<u>935,384</u>	<u>867,408</u>
Less accumulated depreciation	(290,550)	(261,246)
<b>Total land, buildings and equipment</b>	<b><u>\$ 644,834</u></b>	<b><u>\$ 606,162</u></b>

## Note 9: 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)
2012	\$ 13,143
2013	12,459
2014	12,035
2015	11,012
2016	10,152
Thereafter	61,388
<b>Total minimum lease payments</b>	<b><u>\$ 120,189</u></b>

Total rent expense for operating leases amounted to \$14,366,000 and \$11,607,000 for the years ended June 30, 2011 and 2010, respectively.

Under the terms of a twenty-year operating lease with Tenet for educational and medical office space that ends on June 30, 2022, payments equaled \$22.38 per rentable square foot through November 9, 2008, for all space except for special use space, defined as certain research space, which equaled \$27.38. Effective November 10, 2008, payments were reduced to a blended rate of \$19.50 per rentable square foot for the remainder of the lease. The future minimum payments are included in the table above.

The University has 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. There were no expenditures for improvements in fiscal years 2011 or 2010. Estimated costs for the required improvements amounted to \$3,087,000 and \$3,119,000 at June 30, 2011 and 2010, respectively. These costs have been capitalized and a comparable capital lease liability recorded.

## Note 10: Bonds and Notes Payable

<u>Description</u>	<u>Project</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>(in thousands)</u>	
				<u>2011</u>	<u>2010</u>
Dormitory Bonds of 1965	Kelly Hall	2012-2015	3.00 - 3.50%	\$ 420	\$ 520
Dormitory Bonds of 1969	Calhoun Hall	2012-2019	3.00%	550	610
Philadelphia Industrial Development Corp.	Abbotts demolition/ parking lot	2012-2015	3.00%	402	505
Pennsylvania Higher Educational Facilities Authority Revenue Bonds:					
First Series of 1993					
Convertible Series	Athletic field acquisition	2012	8.55%	70	130
1997 Bonds	Van Rensselaer renovation & advance refunding (1987 & 1990)	refunded			7,755
First Series of 1998	North Hall	refunded			30,835
Second Series of 1998	Advance refunding (1993 & 1996)	refunded			4,720
Second Series of 2000	Capital improvements & equipment	2019-2026	variable	22,500	22,500
Series A of 2002	Matheson Hall improvements, new research center, advance refunding (2000-1)	2012-2032	4.15 - 5.20%	12,050	12,160
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)	2012-2018	5.50%	23,770	26,680
Series B of 2003	Stiles Hall renovations, Queen Lane campus acquisition & renovations, capital improvements & equipment	refunded			19,260
Series A of 2005	Capital improvements & equipment	2012-2034	3.20-5.00%	29,261	29,440
Series B of 2005	Advance refunding (1997 & 1999)	2019-2030	variable	29,825	29,825
Series A of 2007	New laboratory,	2030-2037	4.50-5.00%	95,942	96,080
Series B of 2007	dormitory & Wellness Center; capital improvements & equipment	2012-2037	variable	28,890	29,460
Series A of 2011	Partial cost of buildings for the Colleges of Business and Media Arts & Design, Department of Biology; Stratton Hall renovations; advance refunding (1997, 1998, 1998-2 and 2003-B)	2012-2041	2.00-5.25%	160,299	
TD Bank Loan	3501 Market & 3401 Filbert Street buildings	2012-2014	3.83%	12,353	15,000

**Note 10: Bonds and Notes Payable, continued...**

<u>Description</u>	<u>Project</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>(in thousands)</u>	
				<u>2011</u>	<u>2010</u>
PHEC					
Pennsylvania Higher Educational Facilities Authority Revenue Bonds Series of 2007	Refund mortgage, capital improvements & equipment	2012-2037	3.75-5.00%	21,913	22,372
Academic Properties, Inc.					
Philadelphia Industrial Development Corp.	ODP Evening College renovations	2012-2013	3.00%	139	200
<b>Total bonds and notes payable</b>				<b>\$ 480,524</b>	<b>\$ 390,192</b>

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 \$466,660,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds was \$461,384,000 at June 30, 2011, based on a comparison to current interest rates.

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 liens on, and pledges of, the net revenues derived from the building operations.

The 1993, 1997, 1998, 2000, 2002, 2003, 2005, 2007 and 2011 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. 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:

	<u>(in thousands)</u>		
	<u>Maturities</u>	<u>Remarketed Debt</u>	<u>Total Debt</u>
2012	\$ 12,408	\$ 595	\$ 13,003
2013	12,029	620	12,649
2014	7,051	650	7,701
2015	9,763	680	10,443
2016	10,139	710	10,849
Thereafter	305,779	120,100	425,879
			<b>\$ 480,524</b>

The Second Series of 2000 and Series B of 2002, 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, 2015 and 2014, 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:** 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 July 5, 2012, 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 were no amounts outstanding at June 30, 2011 and 2010.

## Note 10: Bonds and Notes Payable, continued...

Total unsecured Revolving Credit Facilities ("Facilities") of \$55,000,000 mature on April 1, 2012, and accrue interest based on Libor (subject to a floor of 0.75%) for the University and Libor (subject to a floor of 1.00%) plus 0.25% 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, 2011 and 2010, the interest rates were 0.75% for the University and 1.25% for PHEC, respectively, and there were no amounts outstanding.

## Note 11: 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 \$26,999,000 and \$25,594,000 in 2011 and 2010, 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 \$206,000 and \$4,807,000 respectively, for the years ended 2011 and 2010 and are reflected in the consolidated statements of activities and included in postretirement benefits in the consolidated statements of financial position.

	(in thousands)	
	2011	2010
Benefit obligation	\$ 35,826	\$ 33,650
Fair value of plan assets	-	-
Funded status	<u>\$ 35,826</u>	<u>\$ 33,650</u>
Accrued benefit cost recognized in the consolidated statements of financial position	\$ 35,826	\$ 33,650
Discount rate	5.40%	5.37%

For measurement purposes, a 6.1% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011. The rate was assumed to decrease gradually to 5.0% for 2012 and remain at that level thereafter.

**Note 11: Retirement Plans, continued...**

	<u>(in thousands)</u>	
	<u>2011</u>	<u>2010</u>
Benefit cost	\$ 3,691	\$ 2,771
Employer contribution	1,723	1,758
Plan participant contributions	606	523
Benefits paid	2,329	2,281

Estimated future benefit payments:

	<u>(in thousands)</u>
2012	\$ 2,127
2013	2,173
2014	2,215
2015	2,257
2016	2,306
2017 to 2021	12,474

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, 2011.

**Note 12: 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 10, 2003, PHEC purchased primary and excess insurance coverage from the RRRG on a claims-made basis. The RRRG provides primary coverage of \$500,000 for physicians and midwives and up to \$1,000,000 for other health professions and entity coverage. PHEC's physicians and midwives also participate in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare") that covers from \$500,000 to \$1,000,000. In addition, PHEC self insures a layer of excess of up to \$2,000,000 above the Mcare Fund. The RRRG provided excess coverage above the self-insured layer of an additional \$9,000,000 through January 10, 2011. Beginning January 11, 2011, the excess coverage above the self-insured layer provided by the RRRG was \$5,000,000.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2011 and 2010, respectively, the University, PHEC and the RRRG recorded total reserves of \$31,118,000 and \$29,416,000, net of estimated recoveries from purchased reinsurance of \$6,413,000 and \$7,935,000, respectively. For fiscal years 2011 and 2010, the reserves were discounted at 7% for the RRRG coverage and 2% for the self-insured layer. Such reserves are included in accrued expenses on the accompanying consolidated statements of financial position. Escrow funds of \$11,367,000 and \$9,798,000 at June 30, 2011 and 2010, respectively, plus the RRRG guaranteed investment contract, invested in a balanced index fund, of \$21,022,000 and \$15,749,000 at June 30, 2011 and 2010, respectively, are available to fund these liabilities (see Note 5).

## Note 13: 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 \$9,000 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, 2012 and March 14, 2012, respectively, and are renewed annually. There were no amounts outstanding as of June 30, 2011 or 2010.

PHEC also maintains a letter of credit in the amount of \$225,000, as required by the Department of Environmental Protection, in connection with the disposal of nuclear medical waste. It expires on May 14, 2012 and is renewed annually. There were no amounts outstanding as of June 30, 2011 or 2010.

The University maintains four letters of credit totaling \$2,200,000 associated with workers' compensation insurance that expire on July 31, August 28, September 4 and September 13, 2012. The agreements are renewable annually. As of June 30, 2011 and 2010, there were no amounts outstanding.

## Note 14: 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, 2011 and 2010 were \$12,862,000 and \$13,660,000, respectively. These services include charges for various personnel, administrative and support services related to operating PHEC and rent. Services provided to Tenet include administrative, supervisory and teaching services connected with faculty physician and residency programs. Total charges to Tenet for these services amounted to \$20,552,000 and \$20,416,000 for the years ended June 30, 2011 and 2010, respectively, and are mainly included in patient care activities revenue in the accompanying consolidated statements of activities.

In September 2004, the University entered into a guaranteed investment contract ("GIC") with the RRRG that accrued interest at a rate of 7% for the years ended June 30, 2011 and 2010. The University intends to renew the contract with interest at the rate of 6.75% effective January 2012. The fair value of \$21,022,000 and \$15,749,000 at June 30, 2011 and 2010, respectively, is included in investments in the consolidated statements of financial position (see Notes 5 and 12).

## Note 15: Operating Expenses

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

	(in thousands)	
	2011	2010
College programs	\$ 31,984	\$ 30,167
Research and public service	17,326	18,612
Academic support	5,137	5,175
Student services	10,851	11,319
Institutional support	5,832	5,877
Auxiliary enterprises	17,718	15,698
Patient care activities	3,089	3,074
<b>Total</b>	<b>\$ 91,937</b>	<b>\$ 89,922</b>

## 16. Subsequent Events

In September 2011, the University entered into an agreement with the Academy of Natural Sciences ("Academy") located in Philadelphia, Pennsylvania, whereby the Academy became a subsidiary of the University to enhance the research and educational opportunities at both institutions through their joint operations.

The President of PHEC and Annenberg Dean, Richard V. Homan, M.D., announced his resignation effective October 31, 2011. The University's President, John A. Fry, will assume the position of President of PHEC, and Daniel V. Schidlow, M.D. will assume the position of Interim Dean. Dr. Schidlow is currently Professor of Pediatrics, Pharmacology and Physiology and Chair of the Department of Pediatrics at PHEC and Physician in Chief at St. Christopher's Hospital for Children in Philadelphia.

## 16. Subsequent Events, continued...

The University evaluated events subsequent to June 30, 2011 through September 20, 2011 and determined that there were no additional events requiring adjustment to or disclosure in the consolidated financial statements.

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DREXEL UNIVERSITY AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

Grantor / Program Title	CFDA Number	Subrecipient Expenditures	Total Expenditures
<b>Research and Development:</b>			
<b>National Science Foundation:</b>			
Direct Awards	47.R&D	\$ 539,180	\$ 10,623,114
ARRA Funding	47.082	59,159	2,294,603
Pass Through Funds	Schedule A	-	533,241
		<u>598,339</u>	<u>13,450,958</u>
<b>Department of Defense:</b>			
Direct Awards	12.R&D	1,677,793	9,790,251
Pass Through Funds	Schedule A	-	1,511,267
		<u>1,677,793</u>	<u>11,301,518</u>
<b>Department of Health and Human Services:</b>			
Direct Awards	93.R&D	5,990,500	28,766,547
ARRA Funding	93.701	428,827	3,547,864
Pass Through Funds - ARRA	Schedule A	-	344,038
Pass Through Funds	Schedule A	33,861	5,195,520
		<u>6,453,188</u>	<u>37,853,969</u>
<b>National Aeronautics and Space Administration:</b>			
Direct Awards	43.R&D	39,718	751,472
Pass Through Funds	Schedule A	-	217,557
		<u>39,718</u>	<u>969,029</u>
<b>National Foundation for Arts and the Humanities:</b>			
Direct Awards	45.R&D	52,144	550,645
		<u>52,144</u>	<u>550,645</u>
<b>Environmental Protection Agency:</b>			
Direct Awards	66.R&D	28,981	244,375
Pass Through Funds	Schedule A	-	276,320
		<u>28,981</u>	<u>520,695</u>
<b>Department of Energy:</b>			
Direct Awards	81.R&D	58,152	612,445
Direct Awards - ARRA		-	28,271
Pass Through Funds - ARRA		511,121	601,913
Pass Through Funds	Schedule A	320,071	1,272,933
		<u>889,344</u>	<u>2,515,562</u>
<b>Department of Agriculture:</b>			
Direct Awards	10.R&D	(40,699)	545,928
Pass Through Funds	Schedule A	-	(8,752)
		<u>(40,699)</u>	<u>537,176</u>
<b>Department of Commerce:</b>			
Direct Awards	11.R&D	-	192,520
Pass Through Funds	Schedule A	-	307,669
		<u>-</u>	<u>500,189</u>
<b>Department of Transportation:</b>			
Direct Awards	20.R&D	117,780	474,533
Pass Through Funds	Schedule A	-	58,324
		<u>117,780</u>	<u>532,857</u>
<b>Department of Justice:</b>			
Pass Through Funds - ARRA	Schedule A	13,381	282,538
Pass Through Funds	Schedule A	-	129,608
		<u>13,381</u>	<u>412,146</u>
<b>FEMA:</b>			
Direct Awards	97.R&D	26,702	226,044
		<u>26,702</u>	<u>226,044</u>
<b>Nuclear Regulatory Commission:</b>			
Direct Awards	77.R&D	-	337,624
		<u>-</u>	<u>337,624</u>
<b>Department of Interior:</b>			
Direct Awards	12.R&D	-	18,106
		<u>-</u>	<u>18,106</u>
<b>Department of Education:</b>			
Direct Awards	84.R&D	15,755	30,285
Pass Through Funds	Schedule A	-	1,549
		<u>15,755</u>	<u>31,834</u>
<b>Department of Veterans Affairs:</b>			
Direct Awards	61.R&D	-	259,640
		<u>-</u>	<u>259,640</u>
<b>Total Research and Development</b>		<u>9,872,426</u>	<u>70,017,992</u>
<b>Student Financial Assistance:</b>			
<b>Department of Education:</b>			
Federal Supplemental Educational Opportunity Grants	84.007	-	1,232,005
Federal Family Education Loan	84.032	-	252,158,344
Federal Work-Study Program (Including ARRA Funds)	84.033	-	2,196,458
Federal Perkins Loan Program	84.038	-	20,927,610
Federal Pell Grant Program (Including ARRA Funds)	84.063	-	11,348,365
Byrd Honors Scholarships	84.185	-	28,500
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	-	1,392,096
Loans for Disadvantaged Students	93.342	-	496,176
Primary Care Loans	93.342	-	5,097,052
Nursing Student Loans	93.364	-	42,934
ARRA - Scholarship for Disadvantaged Students	93.407	-	43,342
<b>Total Student Financial Assistance</b>		<u>-</u>	<u>294,962,882</u>

DREXEL UNIVERSITY AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

Grantor / Program Title	CFDA Number	Subrecipient Expenditures	Total Expenditures
<b>Other Programs:</b>			
<b>Department of Education:</b>			
TRIO_Student Support Services	84.042	-	41,087
Fund for the Improvement of Postsecondary Education	84.116	1,625	62,328
Graduate Assistance in Areas of National Need	84.200	-	648,594
Transition to Teaching Program - National	84.350	243,045	539,574
Pass Through Funds	Schedule A	-	126,054
		<u>244,670</u>	<u>1,417,637</u>
<b>Department of Health &amp; Human Services:</b>			
Trans-NIH Recovery Act Research Support	93.701	-	500,000
Advancing System Improvements to Support Targets for Healthy People 2010	93.088	-	401,972
Nurse Anesthetist Traineeships	93.124	-	21,308
Nursing Workforce Diversity	93.178	-	103,144
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	-	306
Alcohol National Research Service Awards for Research	93.272	-	23,162
Mental Health Research Career/Scientist Development Awards	93.281	-	148,797
National Community Centers of Excellence in Women's Health (B)	93.290	-	59,036
Advanced Education Nursing Traineeships	93.358	-	102,413
Nurse Education, Practice and Retention Grants	93.359	19,129	229,086
Nursing Research	93.361	-	101,875
National Center for Research Resources	93.389	-	91,994
Blood Diseases and Resources Research	93.839	-	(54,778)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	-	44,439
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	-	165,767
Biomedical Research and Research Training	93.859	-	25,160
Aging Research	93.866	-	65,705
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	50,760	919,994
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	-	368,119
Programs with No CFDA Number but Award Has a Contract or Grant Number	93.999	-	16
IPA Agreement	IPA792910	-	146,987
Food Label Reading	HHSP233200700447P	-	1,906
Pass Through Funds - ARRA	Schedule A	-	98,788
Pass Through Funds	Schedule A	(14,643)	6,250,102
		<u>55,246</u>	<u>9,815,298</u>
<b>Department of Agriculture:</b>			
Pass Through Funds	Schedule A	-	1,473,269
		-	<u>1,473,269</u>
<b>Department of Defense:</b>			
Basic and Applied Scientific Research	12.300	-	56,093
Military Medical Research and Development	12.420	-	32,809
Basic Scientific Research	12.431	-	359,711
IPA Agreement	IPA Agreement	-	56,945
Contract - No CFDA Number	DAAB07-01-9-L504	-	1,254,733
Contract - No CFDA Number	W15P7T-06-9-P011/001	5,830,468	6,005,448
Pass Through Funds	Schedule A	-	8,195
		<u>5,830,468</u>	<u>7,773,934</u>
<b>National Science Foundation</b>			
Engineering Grants	47.041	-	147,068
Mathematical and Physical Sciences	47.049	-	(942)
Computer and Information Science and Engineering	47.070	-	72,492
Social Behavioral and Economic Sciences	47.075	-	(7,018)
Education and Human Resources	47.076	366,100	1,059,004
Academic Research Infrastructure Program: Recovery and Reinvestment	47.082	-	1,088,782
IPA Agreement	CMMI-1118569	-	92,748
Pass Through Funds	Schedule A	-	136,110
		<u>366,100</u>	<u>2,588,244</u>
<b>National Aeronautics and Space Administration:</b>			
Thermal Spray Attachment	AERO 504	-	31
From Earth to Sky	NNX09AL66G	-	236,610
		-	<u>236,641</u>
<b>Department of Energy:</b>			
Office of Science Financial Assistance Program	81.049	114,774	201,142
Nuclear Energy Research, Development and Demonstration	81.121	-	149,918
Pass Through Funds	Schedule A	-	92,992
		<u>114,774</u>	<u>444,052</u>
<b>Department of Justice:</b>			
Pass Through - ARRA	Schedule A	-	97,958
<b>Environmental Protection Agency:</b>			
Pass Through Funds	Schedule A	106,578	163,292
		<u>106,578</u>	<u>163,292</u>
<b>National Institute of Standards and Technology - US Department of Commerce:</b>			
Pass Through Funds	Schedule A	-	345,288
<b>National Foundation for Arts and the Humanities:</b>			
Laura Bush 21st Century Librarian Program	45.313	-	67,472
<b>Department of Housing and Urban Development</b>			
Pass Through Funds - ARRA	Schedule A	-	51,340
<b>Corporation for National and Community Service</b>			
Learn and Serve America_Higher Education	94.005	179,543	208,299
<b>Department of Homeland Security:</b>			
(HS STEM) Career Development Program	97.104	(4,200)	94,708
Pass Through Funds	Schedule A	-	28,828
		<u>(4,200)</u>	<u>123,536</u>
<b>Department of State:</b>			
Academic Exchange Programs - Undergraduate Programs	19.009	-	198,114
One-Time International Exchange Grant Program	19.014	-	56,441
Pass Through Funds	Schedule A	-	129,599
		-	<u>384,154</u>
<b>Total Other Programs</b>		<u>6,893,179</u>	<u>25,190,414</u>
<b>Total Federal Awards</b>		<u>\$ 16,765,605</u>	<u>\$ 390,171,288</u>

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Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
<b>National Science Foundation - Research and Development Pass Through Funds:</b>			
Chesapeake Research Consortium	Engineering Grants	47.041	34,461
Georgia Institute of Technology	Engineering Grants	47.041	8,591
Virginia Polytechnic Institute	Engineering Grants	47.041	91,817
Washington State University	Engineering Grants	47.041	31,120
University of California, Davis	Mathematical and Physical Science	47.049	92,146
University of Montana	Biological Science	47.074	15,587
Villanova University	Biological Science	47.074	35,049
The Regents of the University of California	Social Behavioral and Economic Sciences	47.075	47,703
Western New England College	Education and Human Resources	47.076	27,762
WGBH Educational Foundation	Education and Human Resources	47.076	6,000
Pasortix, Inc.	Device and Method-Microfluidic	Agreement dated 1/24/11	19,492
MetaTenna, LLC	InkJet Printed Antennas	Agreement dated 4/1/10	20,269
Maryland Public Television	MathPath	MPT-2010-01	87,166
Zeomedix, Inc.	Controlled Topical Delivery	SRA DATED 5/6/10	16,078
			<u>533,241</u>
<b>Department of Defense - Research and Development Pass Through Funds:</b>			
Ohio State University	Basic and Applied Scientific Research	12.300	66,008
Princeton University	Basic and Applied Scientific Research	12.300	(26,912)
Aerospace Mass Properties Analysis Inc.	Basic and Applied Scientific Research	12.300	6,608
Techno Sciences, Inc.	Basic and Applied Scientific Research	12.300	24,994
University of South Carolina	Basic and Applied Scientific Research	12.300	108,043
Techno Sciences, Inc.	Basic and Applied Scientific Research	12.300	71,713
University of Michigan	Military Medical Research and Development	12.420	(15)
Virginia Polytechnic Institute	Basic Scientific Research	12.431	126,141
Carnegie Mellon University	Basic Scientific Research	12.431	11,820
University of Miami	Basic Scientific Research	12.431	91,065
University of Texas at Austin	Basic, Applied, and Advanced Research in Science and Engineering	12.630	28,554
University of Southern California	Air Force Defense Research Sciences Program	12.800	113,987
Ohio State University	Air Force Defense Research Sciences Program	12.800	255,403
SOAR Technologies, Inc.	Code Smart	10187.001	22,073
Lockheed Martin Corporation	SAPIENT III	4100049995	98,291
SMI, Inc. (Structured Materials Industries, Inc)	Frequency-Agilem Ka-band Filters	41752-092508-03	1,579
SMI, Inc. (Structured Materials Industries, Inc)	Fabrication Technology	41784-072009-03	30,975
Scientific Forming Technologies Corporation	Characterization of Thermo-Mechanic	N00014-09-C-0628	9,671
Ingenium Technologies	Power Reactant Delivery System	N00014-10-M-0292	18,751
McKean Defense Group LLC	Natl Defense Education Program	N00178-04-D-4078	83,000
SMI, Inc. (Structured Materials Industries, Inc)	STTR: Full Spectrum Zinc Oxide	N68335-09-C-0350	(6,580)
SMI, Inc. (Structured Materials Industries, Inc)	Innovative Approaches	N68335-11-C-0040	49,677
ERC Incorporated	In-Service Durability of Cyanate Es	PO RS101154	5,113
Lockheed Martin Energy	Software Producibility	PO TT0706980	69,750
Concurrent Technologies Corporation	Effect of RDX on Neuronal Calcium	PO# 100400030	80,323
SOAR Technologies, Inc.	SOUSA Phase II	W15P7T-09-C-5301	75,499
Operative Experience Inc.	Pre-Deployment Trauma Surg Training	W81XWH-09-C-0058	(5,044)
InfraScan, Inc.	Portable Near-infrared Tech	W911QY-10-C-0136	100,780
			<u>1,511,267</u>

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Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES - Research and Development Pass Through Funds:</b>			
<b>ARRA Funding:</b>			
Allegheny-Singer Research Institution	Trans-NIH Recovery Act Research Support	93.701	35,832
Boston University	Trans-NIH Recovery Act Research Support	93.701	54,166
Children's Hospital of Los Angeles	Trans-NIH Recovery Act Research Support	93.701	23,121
Children's Hospital of Philadelphia	Trans-NIH Recovery Act Research Support	93.701	37,327
DuPont	Trans-NIH Recovery Act Research Support	93.701	32,303
Harvard School of Public Health	Trans-NIH Recovery Act Research Support	93.701	21,723
Johns Hopkins University	Trans-NIH Recovery Act Research Support	93.701	103,322
Thomas Jefferson University	Trans-NIH Recovery Act Research Support	93.701	7,911
Philadelphia Department of Human Services	ARRA Prevention and Wellness-Communities Putting Prevention to Work	93.724	15,336
Philadelphia Department of Public Health	ARRA Prevention and Wellness-Communities Putting Prevention to Work	93.724	13,007
			<u>344,038</u>
<b>Other R&amp;D Funding:</b>			
Johns Hopkins University	Environmental Health	93.113	27,260
The Regents of the University of California	Oral Diseases and Disorders Research	93.121	65,426
	Injury Prevention and Control Research and State and Community Based Programs		
Children's Hospital of Philadelphia	Research Related to Deafness and Communication Disorders	93.136	93,730
Massachusetts Eye and Ear Infirmary	Family Planning_Services	93.173	111,961
Family Planning Council	Research on Healthcare Costs, Quality and Outcomes	93.217	77,106
National Institutes of Health	Mental Health Research Grants	93.226	25,813
Oregon Research Institute	Mental Health Research Grants	93.242	148,718
University of Medicine & Dentistry of New Jersey	Mental Health Research Grants	93.242	45,275
University of New Hampshire	Drug Abuse and Addiction Research Programs	93.242	93,510
Johns Hopkins University	Drug Abuse and Addiction Research Programs	93.279	33,531
Temple University	Drug Abuse and Addiction Research Programs	93.279	14,578
University of Medicine & Dentistry of New Jersey	Drug Abuse and Addiction Research Programs	93.279	95,409
Temple University	Mental Health National Research Service Awards for Research Training	93.282	155,538
Children's Hospital of Pittsburgh of UPMC Health System	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	30,001
John Hopkins Bloomberg	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	38,649
Pennsylvania Department of Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	147,308
Health Research Associates, Inc	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	18,945
Thomas Jefferson University	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	27,859
University of Maryland	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	14,704
University of Texas at Austin	Nursing Research	93.286	(7,271)
Emory University	National Center for Research Resources	93.361	21,612
John Hopkins University	National Center for Research Resources	93.389	20,279
The Regents of the University of California	National Center for Research Resources	93.389	(1)
Thomas Jefferson University	National Center for Research Resources	93.389	508
University of the Sciences	Academic Research Enhancement Award	93.390	19,574
East Virginia Medical School	Cancer Detection and Diagnosis Research	93.394	113,131
Fox Chase Cancer Center	Cancer Detection and Diagnosis Research	93.394	9,161
Immunotope, Inc.	Cancer Detection and Diagnosis Research	93.394	47,146
National Childhood Cancer Foundation	Cancer Treatment Research	93.395	66,158
Thomas Jefferson University	Cardiovascular Diseases Research	93.837	113,629
University of Michigan	Cardiovascular Diseases Research	93.837	62,025
University of Connecticut	Lung Diseases Research	93.838	5,717
New England Research Institute	Blood Diseases and Resources Research	93.839	37,979
Thomas Jefferson University	Blood Diseases and Resources Research	93.839	(150)
Temple University	Arthritis, Musculoskeletal and Skin Diseases Research	93.846	15,603
Baylor College of Medicine	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	95,941
Children's Hospital of Philadelphia	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	8,095
University of Pennsylvania	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	19,505
University of Pennsylvania	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.849	14,953
Children's Hospital of Philadelphia	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	64,109
University of Alaska, Fairbanks	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	93,188
University of Illinois	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	162,873
University of Kentucky	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1,722
University of Pennsylvania	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	284,859
University of Vermont	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	90,165
DMX Inc.	Allergy, Immunology and Transplantation Research	93.855	65,586
Johns Hopkins University	Allergy, Immunology and Transplantation Research	93.855	8,953
The Wistar Institute	Allergy, Immunology and Transplantation Research	93.855	8,897
University of California, San Francisco	Allergy, Immunology and Transplantation Research	93.855	(9,901)
University of Pennsylvania	Allergy, Immunology and Transplantation Research	93.855	(20,217)
New York University	Microbiology and Infectious Diseases Research	93.856	1
Delaware State University	Biomedical Research and Research Training	93.859	718
The Wistar Institute	Biomedical Research and Research Training	93.859	4,429
University of Pennsylvania	Biomedical Research and Research Training	93.859	77,310
Boston University	Child Health and Human Development Extramural Research	93.865	72,795
Columbia University	Child Health and Human Development Extramural Research	93.865	16,596
Harvard School of Public Health	Child Health and Human Development Extramural Research	93.865	315,643
Loyola University, Chicago	Child Health and Human Development Extramural Research	93.865	32,301
Albert Einstein College of Medicine of Yeshiva University	Aging Research	93.866	1,437
Boston University	Aging Research	93.866	456,211
University of Pennsylvania	Aging Research	93.866	(3,151)
Aids Activities Coordinating Office	HIV Care Formula Grants	93.917	15,124
University of Pennsylvania	Center for Medical Rehabilitation Research	93.929	34,461
Pennsylvania Department of Health	Preventive Health and Health Services Block Grant	93.991	39,958
John Hopkins University	Enable an EDRN BRL	2000500083/U01CA0849	1,205
Pennsylvania Department of Health	PCEN Network	400009219/EXT1/43002	12,454
Pennsylvania Department of Health	PA Cancer Education Network	400009219/EXT1/43002	147,748
Monell Chemical Senses Center	Chemosensory Clinical Research	5 P50 DC006760-05	(6,699)
University of Pennsylvania	Neural Basis of Generalized	5R01-NS044266-05	3,151
Solers Inc.	Ultrasound ID of Angiogenesis	6333 & 1R43CA130257	215
Therimunex Pharmaceuticals	Modulator of Innate Immunity	AGREEMENT	196,560
Family Planning Council	Family Planning (Circle of Care)	CONTRACT #114602	254,879

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Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
Johns Hopkins University	HIV RESEARCH NETWORK	HHSA290200600025C	109,824
Argos Therapeutics	HIV Vaccine Design and Development	HHSN266200600019C	454,788
Argos Therapeutics	HVDDT	HHSN266200600019C	(61,968)
Johns Hopkins University	Development & Validation of Autism	HHSN267200700048C	74,393
University of Pennsylvania	Improved DNA Vaccines	HHSN27220800063C	48,806
Affirma Solutions, Inc.	NNHVIP/NNED Project	HHSS283200800002C	30,072
John Snow Incorporated	Phila Ujjima Heart Attack	LTR 1/12/2011	442
Johns Hopkins University	National Children's Health Study	PO2000297448/HHSN267	14,995
Aids Activities Coordinating Office	Comp Risk Counseling Serv	RXA1112	48,215
Aids Activities Coordinating Office	Health Ed/Risk Reduction	RXA1113	45,023
The Lewin Group	Healthy Outcomes in Children	TLG-10-067-5354	78,434
			<u>5,195,520</u>

**National Aeronautics and Space Administration - Research and Development Pass Through Funds:**

Jet Propulsion Laboratory (NASA)	Aerospace Education Services Program	43.001	95,688
Techno Sciences, Inc.	Aerospace Education Services Program	43.001	85,921
Smithsonian Astrophysical Observatory	Aerospace Education Services Program	43.001	20,739
Penn State University	Aerospace Education Services Program	43.001	14,882
Space Telescope Science Institute	Dynamical Evolution	HST-AR-11780.01-A	327
			<u>217,557</u>

**Environmental Protection Agency - Research and Development Pass Through Funds:**

Partnership for the Delaware Estuary	National Estuary Program	66.456	19,033
Michigan State University	Science To Achieve Results (STAR) Research Program	66.509	257,287
			<u>276,320</u>

**Department of Energy - Research and Development Pass Through Funds:**

<b>ARRA Funding:</b>			
PECO	Smart Future Greater Philadelphia	81.122	601,913
<b>Other Funding:</b>			
Kent State University	Office of Science Financial Assistance Program	81.049	8,712
Oak Ridge National Laboratory/Dept of Energy	Office of Science Financial Assistance Program	81.049	81,106
University of Utah	Office of Science Financial Assistance Program	81.049	185,559
Penn State University	Conservation Research and Development	81.086	19,760
Oak Ridge National Laboratory/Dept of Energy	Energy Frontier Research Ctr	4000085877	159,835
Oak Ridge National Laboratory/Dept of Energy	Support for EFRC-FIRST	4000086424	35,014
Battelle Energy Alliance, LLC	Max Phases to Neutron Radiation	00090309/DE-AC07-05I	387,090
Opra, Inc.	STTR Phase 2	PO 14119	191,020
Batelle	Advanced Damage Tolerant Ceramics	00098778	21,284
Batelle	Freeze-Casting	DE-AC07-05ID14517	68,991
Clever Fellows Innovation Consortium, Inc.	Kilowatt-Class Cryogenics	DOE3.1 / DE-OE000528	8,427
Lawrence Berkeley National Labs	New Layered Nanolaminates	NO.6951370/DE-AC02-0	106,136
			<u>1,272,933</u>

**Department of Agriculture - Research and Development Pass Through Funds**

Villanova University	Nanoscale Cellulose	2008-35100-04413	(8,752)
			<u>(8,752)</u>

**Department of Commerce - Research and Development Pass Through Funds:**

Philadelphia University	ITA Special Projects	11.113	53,108
Columbia University	Climate and Atmospheric Research	11.431	35,226
Urban Affairs Coalition	Public Safety Interoperable Communications Grant Program	11.555	219,336
			<u>307,669</u>

**Department of Transportation - Research and Development Pass Through Funds:**

Rutgers University	LongTerm Bridge Performance	DTFH61-08-C-00005	58,324
			<u>58,324</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A  
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Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
<b>Department of Justice - Research and Development Pass Through Funds:</b>			
<b>ARRA Funding:</b>			
Pennsylvania Commission on Crime and Delinquency	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	282,538
<b>Other Funding:</b>			
East Stroudsburg University	Addressing Identity Theft	SP 4000023437	59,625
East Stroudsburg University	Hiding Crimes in Cyberspace	SP 4000016495	1,187
Drakontis, LLC	Crime in Virtual and Gaming Worlds	2009-D2-BX-K005	68,796
			129,608
<b>Department of Education - Research and Development Pass Through Funds:</b>			
East Stroudsburg University	Fund for the Improvement of Postsecondary Education	84.116	219
San Diego State University	Fund for the Improvement of Postsecondary Education	84.116	1,330
			1,549
<b>Department of Education - Other Program Pass Through Funds:</b>			
PA Department of Education	Learning Mathematics	71-60002	63,134
PA Department of Education	Learning Mathematics	71-70005	62,920
			126,054
<b>Department of Health &amp; Human Services - Other Program Pass Through Funds:</b>			
<b>ARRA Funding:</b>			
City of Philadelphia	Trans-NIH Recovery Act Research Support	93.701	98,788
<b>Other Funding:</b>			
National Minority AIDS Council	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	(27,648)
The Auxiliary to the National Medical Association, Inc.	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	35,198
American Academy of Pediatrics	Maternal and Child Health Federal Consolidated Programs	93.110	5,752
Sickle Cell Disease Association of America	Maternal and Child Health Federal Consolidated Programs	93.110	9,200
	Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White CARE Act Title IV Program)	93.153	62,567
Family Planning Council		93.217	38,333
	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	1,460,456
Resources for Human Development, Inc.	School Based Health Centers	93.242	(2,289)
Social & Scientific, Inc.	Mental Health Research Grants	93.249	97,132
University of Pittsburgh	Public Health Training Centers Grant Program (B)	93.399	(63,720)
Eastern Virginia Medical School	Cancer Control	93.399	70,280
Frontier Science & Technology Research Foundation	Cancer Control	93.523	4,495
	The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.839	2,500
Aids Activities Coordinating Office	NERI Improved Study	93.839	3,000
New England Research Institute	Blood Diseases and Resources Research	93.849	(4,230)
The Medical College of Wisconsin	Kidney Diseases Urology and Hematology Research	93.849	(379)
Rhode Island Hospital	Kidney Diseases Urology and Hematology Research	93.853	110
Tufts University	Clinical Research Related to Neurological Disorders	93.853	26,739
Columbia University	Clinical Research Related to Neurological Disorders	93.853	1,983
Massachusetts General Hospital	Clinical Research Related to Neurological Disorders	93.855	958
Temple University	Allergy Immunology and Transplantation Research	93.865	(4,151)
Rush University Medical Center	Child Health and Human Development Extramural Research	93.865	62,671
Columbia University	Child Health and Human Development Extramural Research	93.879	23,754
University of New Mexico	Medical Library Assistance	93.914	1,728,323
New York University School of Medicine	HIV Emergency Relief Project Grants	93.917	14,472
Aids Activities Coordinating Office	HIV Care Formula Grants	93.940	188,162
Aids Activities Coordinating Office	HIV Prevention Activities Health Department Based	93.959	300,817
Aids Activities Coordinating Office	Block Grants for Prevention and Treatment of Substance Abuse	93.994	277,263
City of Philadelphia	Maternal and Child Health Services Block Grant to the States	93.994	909,654
Children's Hospital of Philadelphia	Maternal and Child Health Services Block Grant to the States	93.999	374,823
Pa Department of Health	Programs with No CFDA Number but Award Has a Contract or Grant Number	05-20065	62
		1 R01 HL 071988-01A1	(75)
The National Nursing Centers Consortium	OMH SAP Program FY05	1U50D900134-01	246
City of Philadelphia	Future Revascularization Evaluation	263-01-D-0158	45,590
Mt. Sinai Medical Center		3R01DK076937-04S1	(1,026)
Friends of The Congressional Glaucoma Caucus Foundation	Drexel Ophthalmology Outreach	5H4A HA 00060-10-00	19,946
JBS International	Center of Excellence for Physician	AGREEMENT DATED 7/16/09	1,534
Beth Israel Deaconess Medical Center	NIR Wound Monitor Transaction	A165279	20,576
Health Federation of Philadelphia	PA Mid Atlantic AIDS Education	CABANA TRIAL	29,475
Health Federation of Philadelphia	AIDS E&T Center	HHSP233200601006P	24,154
The Wistar Institute	Antiviral Activity of PEG-IFN-a2A	Letter Dated 3/25/10	2,350
Duke Clinical Research Institute	CABANA	LETTER DATED 6/30/09	3,491
Susan B. Spencer, Inc.	Curricula for Domestic Violence	LTR 11/15/2010	18,096
John Snow Incorporated	Natl Women and Girls HIV/AIDS	LTR DATED 5/27/08	46,528
City of Philadelphia	FY10 CODAAP	TOPCAT-NHLBI-N01-HC-45207	1,888
Association of Schools of Public Health	Urban Built Environment	U01 HD050080	(3,329)
American Academy of Pediatrics	EPIC IC	VARIOUS	438,282
New England Research Institute	TOPCAT	WORK ORDER DATED 7/30/10	6,088
University of Columbia	Genomic and Proteomic Network		6,250,102
Family Planning Council	VARIOUS		
JBS International	NIDA Centers of Excellence		
<b>Department of Agriculture - Other Program Pass Through Funds</b>			
Philadelphia School District	Supplemental Nutrition Assistance Program, Outreach/Participation Program	10.580	1,473,269
<b>Department of Defense - Other Program Pass Through Funds</b>			
InfraScan, Inc.	Basic Scientific Research	12.431	8,195

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Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
<b>National Science Foundation - Other Program Pass Through Funds:</b>			
Computing Research Association	Computer and Information Science and Engineering	47.070	<u>136,110</u>
<b>Department of Energy - Other Program Pass Through Funds:</b>			
PPL Electric Utilities Corp	DOE/PPL: Caps & SW Placement	495799-C	87,033
Sandia National Laboratories	Stimulated Emission Depleted	1055522	<u>5,959</u>
			<u>92,992</u>
<b>Department of Justice - Other Program Pass Through Funds:</b>			
<b>ARRA Funding:</b>			
Pennsylvania Commission on Crime and Delinquency	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	<u>97,958</u>
<b>Environmental Protection Agency - Other Program Pass Through Funds:</b>			
Partnership for the Delaware Estuary	National Estuary Program	66.456	7,210
Water Environment Research Foundation	Office of Research and Development Consolidated Research/Training/Fellowships	66.511	<u>156,082</u>
			<u>163,292</u>
<b>National Institute of Standards and Technology - Other Program Pass Through Funds:</b>			
Rutgers University	Technology Innovation Program	11.616	<u>345,288</u>
<b>Department of Housing and Urban Development - Other Program Pass Through Funds:</b>			
Philadelphia Housing Authority	Asthma Intervention and Assessment	14.908	<u>51,340</u>
<b>Department of Homeland Security - Other Program Pass Through Funds:</b>			
International Association of Fire Chiefs, Inc.	Assistance to Firefighters Grant	97.044	<u>28,828</u>
<b>Department of State (USIA) - Other Program Pass Through Funds:</b>			
International Research & Exchanges Board	Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	(111)
Institute of International Education	Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	<u>129,710</u>
			<u>129,599</u>
		<b>Total</b>	<u>\$ 19,725,540</u>

(concluded)

# DREXEL UNIVERSITY AND SUBSIDIARIES

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

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### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Drexel University and Subsidiaries (the "University") under programs of the federal government for the year ended June 30, 2011. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, revenues, expenses, and changes in net assets of the University.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies or departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

Federally guaranteed loans issued to students of the University by various financial institutions and campus based loan programs, disclosed in Note 3, are also included in the Schedule.

### 2. BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting.

### 3. FEDERAL STUDENT LOAN PROGRAMS

Federally guaranteed loans (including subsidized and nonsubsidized loans) issued to students of the University by various financial institutions during the year ended June 30, 2011, are summarized below:

	CFDA No.	
Federal Family Education Loans — Stafford	84.032	\$180,925,056
Parent Loans for Undergraduate Students	84.032	32,776,358
GRAD Plus Loans	84.032	<u>38,456,930</u>
		<u>\$252,158,344</u>

The University is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs; therefore, the net assets and transactions for those programs are not included in the University's financial statements. The University administers and accounts for all aspects of certain loan programs made directly to students. Therefore, the University's financial statements include these programs' balances and transactions. Loans made to students during the year ended June 30, 2011, are summarized below:



	<b>CFDA No.</b>	
Federal Perkins Loan Program	84.038	\$1,745,247
Loans for Disadvantaged Students	93.342	28,668
Primary Care Loans	93.342	227,921
Nursing Student Loan	93.364	<u>8,525</u>
		<u>\$2,010,361</u>

Loan balances for these programs at June 30, 2011, are summarized below:

	<b>CFDA No.</b>	
Federal Perkins Loan Program	84.038	\$20,927,610
Loans for Disadvantaged Students	93.342	496,176
Primary Care Loans	93.342	5,097,052
Nursing Student Loan	93.364	<u>42,934</u>
		<u>\$26,563,772</u>

#### 4. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the statement of financial position date through March 30, 2012, the date that the financial statements were available to be issued, for potential recognition and disclosure. No significant events or transactions were identified which would require recognition or disclosure in the financial statements.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of Drexel University:

We have audited the consolidated financial statements of Drexel University and Subsidiaries (the "University") as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 20, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is solely intended for the information and use of the Board of Trustees, Audit Committee, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Committee of Trustees*

September 20, 2011

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of Drexel University:

### ***Compliance***

We have audited Drexel University and subsidiaries (the "University") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2011. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### ***Internal Control Over Compliance***

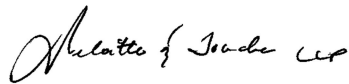
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over

compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 30, 2012

# DREXEL UNIVERSITY AND SUBSIDIARIES

## INDEPENDENT AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### PART I — SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued		Unqualified
Internal control over financial reporting:		
Material weaknesses identified?	_____yes	___X___no
Significant deficiencies identified?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

#### Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____yes	___X___no
Significant deficiencies identified?	_____yes	___X___none reported
Type of auditors' report issued on compliance for major programs		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?	_____yes	___X___no

#### Identification of major programs:

- Research and Development cluster with various CFDA numbers
- Student Financial Assistance cluster with various CFDA numbers
- Department of Defense (W15P7T-06-9-P011/001)

Dollar threshold used to distinguish between Type A and Type B programs		\$2,856,250
Auditee qualified as low-risk auditee?	___X___yes	_____no

**PART II — FINANCIAL STATEMENT FINDINGS SECTION**

The audit disclosed no items required to be reported in this section.

**PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

None

**PART IV — STATUS OF PRIOR YEAR FINDINGS**

None