

**Academic Properties, Inc.**  
**Financial Statements and Supplemental Schedules**  
**for the Fiscal Years Ended**  
**June 30, 2023 and 2022**

# Academic Properties, Inc.

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June 30, 2023 and 2022

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## **Review Report of Independent Accountants**

To the Board of Trustees of Drexel University

We have reviewed the accompanying financial statements of Academic Properties, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities and statements of cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Academic Properties, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### ***Accountants' Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management. We have not audited or reviewed the supplemental schedules and accordingly do not express an opinion, a conclusion, nor provide any assurance on them.

*PricewaterhouseCoopers LLP*

Philadelphia, Pennsylvania  
October 27, 2023

**Academic Properties, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

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	<b>2023</b>	<b>2022</b>
<b>Assets:</b>		
Cash and cash equivalents		
Operating	\$ 10,943,516	\$ 8,043,526
Tenants' escrow accounts	178,963	146,689
Accounts receivable	91,654	94,642
Prepaid expenses and other assets	616,125	660,551
Deferred charges, net	1,625,790	1,498,271
Due from Drexel University	385,346	393,996
Operating Lease Right of Use (ROU) Asset	2,306	5,231
Rental property and equipment, net	18,740,064	18,722,335
<b>Total assets</b>	<b>\$ 32,583,764</b>	<b>\$ 29,565,241</b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 939,702	\$ 362,954
Deferred revenue	334,974	763,866
Tenants' escrow accounts	178,963	146,689
Operating Lease Liability	2,306	5,231
<b>Total liabilities</b>	<b>1,455,945</b>	<b>1,278,740</b>
<b>Net Assets:</b>		
Without donor restrictions	31,127,819	28,286,501
<b>Total net assets</b>	<b>31,127,819</b>	<b>28,286,501</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,583,764</b>	<b>\$ 29,565,241</b>

**Academic Properties, Inc.**  
**Statements of Activities**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating</b>		
<b>Revenues:</b>		
Rents		
Minimum lease payments	\$ 6,207,297	\$ 6,431,843
Common area expense and utilities	2,302,451	2,268,191
Interest	82,807	4,247
Management fee income - affiliate	151,032	128,371
Miscellaneous	468,533	487,868
<b>Total revenues</b>	<b>9,212,120</b>	<b>9,320,520</b>
<b>Expenses:</b>		
Salaries and wages	601,303	620,141
Employee benefits	203,856	242,308
Depreciation and amortization	976,222	898,669
Other operating expenses	3,048,421	3,256,304
<b>Total expenses</b>	<b>4,829,802</b>	<b>5,017,422</b>
<b>Increase in net assets from operating activities</b>	<b>4,382,318</b>	<b>4,303,098</b>
<b>Non-operating</b>		
Transfer to Drexel Endowment	(1,541,000)	(1,541,000)
Transfer to Drexel Brandywine Net Revenue	-	(532,894)
<b>Decrease in net assets from non-operating activities</b>	<b>(1,541,000)</b>	<b>(2,073,894)</b>
<b>Total increase in net assets</b>	<b>2,841,318</b>	<b>2,229,204</b>
<b>Net assets, beginning of year</b>	<b>28,286,501</b>	<b>26,057,297</b>
<b>Net assets, end of year</b>	<b>\$ 31,127,819</b>	<b>\$ 28,286,501</b>

**Academic Properties, Inc.**  
**Statements of Cash Flows**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating activities:</b>		
Increase in net assets:	\$ 2,841,318	\$ 2,229,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	976,222	898,669
Transfer to Drexel Endowment	1,541,000	1,541,000
Transfer to Drexel Brandywine Net Revenue	-	532,894
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	2,988	(1,124)
Prepaid expenses and other assets	44,426	63,698
Tenants' escrow asset	(32,274)	(33,861)
Tenants' escrow liability	32,274	33,861
Deferred charges, net	(127,519)	(524,409)
Accounts payable and accrued liabilities	574,088	30,357
Deferred revenue	(428,892)	(354,874)
<b>Net cash provided by operating activities</b>	<b>5,423,631</b>	<b>4,415,415</b>
<b>Investing activities:</b>		
Building Improvements	(991,291)	(1,114,980)
<b>Net cash used in investment activities</b>	<b>(991,291)</b>	<b>(1,114,980)</b>
<b>Financing activities:</b>		
Due from Drexel University	8,650	(21,514)
Transfer to Drexel Endowment	(1,541,000)	(1,541,000)
Transfer to Drexel Brandywine Net Revenue	-	(532,894)
<b>Net cash used in financing activities</b>	<b>(1,532,350)</b>	<b>(2,095,408)</b>
Net increase in cash and cash equivalents	2,899,990	1,205,027
Cash and cash equivalents, beginning of year	8,043,526	6,838,499
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,943,516</b>	<b>\$ 8,043,526</b>

# Academic Properties, Inc.

## Notes to Financial Statements

### June 30, 2023 and 2022

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#### 1. Organization

Academic Properties, Inc. (the “Company” or “API”) is 100% owned by Academic Assets, Inc. and Academic Assets, Inc. is 100% owned by the Drexel University. API is an exempt organization under Section 501 (c) (3) or the Internal Revenue Code. API manages properties used by Drexel, as well as other strategically located properties contiguous to its campus.

#### 2. Summary of Significant Accounting Policies

##### Basis of Accounting and Financial Statement Presentation

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 and with the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which requires API to classify its net assets into two categories according to donor-imposed restrictions; net assets without donor imposed restrictions and net assets with donor imposed restrictions.

*Net Assets without Donor Restrictions* – Net assets without donor restrictions are funds which have no restrictions, and over which the Board has discretionary control.

*Net Assets with Donor Restrictions* - Net assets with donor restrictions are subject to donor-imposed stipulations that (a) may be fulfilled by actions of API to meet the stipulations, (b) may become unrestricted at the date specified by the donor or (c) are subject to donor-imposed stipulations that they be retained and invested permanently by API.

There were no net assets classified as with donor restrictions as of June 30, 2023 and 2022.

##### Measure of Operations

API’s measure of operations as presented in the statement of activities includes rental income from properties, management fee income from affiliates, and other miscellaneous revenues. Operating expenses are reported on the statement of activities by natural classification.

##### Liquidity and Availability

API’s financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
<b>Total assets at year-end</b>	\$ 32,583,764	\$ 29,565,241
Less: non-financial and financial assets not available within one year		
Prepaid expenses and other assets	(616,125)	(660,551)
Tenants' escrow accounts	(178,963)	(146,689)
Deferred charges, net	(1,625,790)	(1,498,271)
Operating Lease Right of Use (ROU) Asset	(2,306)	(5,231)
Rental property and equipment, net	(18,740,064)	(18,722,335)
<b>Financial assets available at year-end for current use</b>	<b>\$ 11,420,516</b>	<b>\$ 8,532,164</b>

API has \$11,420,516 of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure. In addition to these available financial assets, a significant portion of API’s annual expenditures is funded by current year operating revenues including rental income from properties, management fee income from affiliates, and other miscellaneous revenues. API structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

# Academic Properties, Inc.

## Notes to Financial Statements

### June 30, 2023 and 2022

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#### **Cash**

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. On June 30, 2023, and 2022, API had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value.

#### **Expenses**

All API expenses are in support of one program, which is managing Drexel's properties.

#### **Rental Property and Equipment, Net**

Land, building, and equipment are stated at cost, or the original purchased cost transferred from Drexel. The Company recognizes depreciation over the useful lives of the depreciable assets on a straight-line basis. Useful lives range from 3 to 20 years.

#### **Deferred Charges**

Deferred charges represent rent revenues recognized on a straight-line basis over the term of the Company's lease agreements that have not been billed as of year-end.

#### **Deferred Revenue**

Deferred revenue represents cash paid in advance for future rent.

#### **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 amounts 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 these estimates.

#### **Asset Retirement Obligation/Asset**

The Company determined there were legal obligations to perform certain asset retirement activities associated with certain fire doors, carpeting, and storage tanks. The total asset retirement cost and obligation recognized was \$3,586 and \$199,996 respectively, for 2023 and \$6,885 and \$197,336 respectively, for 2022 and is included in rental property and equipment, net, and accrued expenses, respectively.

#### **Recently Adopted Accounting Pronouncements**

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808) – Clarifying the Interaction between Topic 808 and Topic 606*, which seeks to clarify that certain transaction between collaborative arrangement participants should be accounted for as revenue and apply all relevant guidance under Topic 606 to these revenues. In addition this ASU provides more comparability in the presentation of revenue for certain transaction between collaborative arrangement participants. ASU No. 2018-18 is effective for annual periods beginning after December 15, 2020. API has adopted the standard effective July 1, 2021. The adoption of this guidance did not have a material impact on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets within the financial statements of not-for-profit entities through the enhancement of the presentation and disclosure of such activities. The new guidance is effective for fiscal years beginning after June 15, 2021, and interim periods with fiscal years beginning after June 15, 2022. Early adoption is permitted, and amendments should be applied on a retrospective basis. API has adopted the standard on a retrospective basis, and the adoption of this guidance did not have a material impact on its financial statements.



**Academic Properties, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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API has determined that there are no other recently issued accounting standards that will have a material impact on its financial statements.

**3. Rental Property and Equipment**

At June 30, 2023 and 2022, rental property and equipment consisted of the following:

	<b>2023</b>	<b>2022</b>
Land:	\$ 4,427,655	\$ 4,427,655
Building and Building Improvements:		
One Drexel Plaza	2,033,814	2,033,814
All Other Properties	5,735,158	5,735,158
Building Improvements	20,065,482	19,074,192
Total buildings and building improvements	27,834,454	26,843,164
Furniture and Fixtures:		
Furniture and fixtures	187,596	187,596
Equipment	47,259	47,259
Total furniture, fixtures, and equipment	234,855	234,855
Total rental property and equipment, gross	32,496,964	31,505,674
Less: Accumulated depreciation	(13,756,900)	(12,783,339)
Total rental property and equipment, net	\$ 18,740,064	\$ 18,722,335

The values related to One Drexel Plaza included in rental property and equipment - net amounted to \$6,441,246 and \$6,528,829 on June 30, 2023, and 2022, respectively.

**4. Lease Rentals**

The Company leases space to tenants under leases that are accounted for as operating leases. Lease periods range from six months to one year on student leases and from two to fifteen years on commercial leases. The estimated future rent receivable on non-cancelable leases is as follows:

	<b>Minimum Lease</b>
June 30	
2024	4,314,402
2025	4,106,499
2026	3,902,236
2027	3,974,150
2028	4,085,238
Thereafter	5,855,028
Total	26,237,553

Rent for new leases or the exercise of renewal options under existing leases is not included in the table above, its operating leases, the Company records rent revenue on a straight-line basis over the term of the lease agreements based on fixed and scheduled minimum rent increases. The difference between actual rent and straight-line rent for the fiscal year ending June 30, 2023, and 2022 was \$127,520 and \$524,409, respectively. As of June 30, 2023, and 2022, the net deferred rent asset amounted to \$1,625,790 and \$1,498,271 respectively.

**Academic Properties, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**5. Functional and Natural Classification of Expenses**

Expenses are presented by functional classification in accordance with the overall service mission of API. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation is allocated based on the square footage occupancy. Plant operations and maintenance represent space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy.

Expenses by functional classification for the year ended June 30, 2023, consist of the following:

	<b>2023</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and wages	\$ 601,303	\$ -	\$ 601,303
Employee benefits	203,856	-	203,856
Depreciation and amortization	976,222	-	976,222
Other operating expenses	3,037,621	10,800	3,048,421
<b>Total expenses</b>	<b>\$ 4,819,002</b>	<b>\$ 10,800</b>	<b>\$ 4,829,802</b>

Expenses by functional classification for the year ended June 30, 2022, consist of the following:

	<b>2022</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and wages	\$ 620,141	\$ -	\$ 620,141
Employee benefits	242,308	-	242,308
Depreciation and amortization	898,669	-	898,669
Other operating expenses	3,246,004	10,300	3,256,304
<b>Total expenses</b>	<b>\$ 5,007,122</b>	<b>\$ 10,300</b>	<b>\$ 5,017,422</b>

**6. Related-Party Transactions**

Drexel rents approximately 113,590 square feet of space at One Drexel Plaza from the Company. These leases are for a ten-year period and the monthly base rent average approximately \$247,188 during the year ended June 30, 2023.

The Company also received \$151,032 and \$128,372 from Drexel for services rendered in managing properties owned by Drexel during the years ended June 30, 2023, and 2022, respectively.

All the buildings and improvements for the Company were designated by the Drexel Board of Trustees as quasi-endowment assets of the Drexel University in February 2011. Accordingly, the distribution to endowment for both years ended June 30, 2023, and 2022 was \$1,541,000 and represent a payout to the Drexel endowment.

Effective January 1, 2022, housing was provided to the CEO of St. Christopher's Hospital at 3200 Summer Street. 3200 Summer Street is a Drexel-Owned, API managed property and costs for this transaction are within Drexel's financial statements. The taxable benefit is capped at \$3,300 per month and includes rent and customary utilities.

**Academic Properties, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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**7. Subsequent Events**

API evaluated events after June 30, 2023, through October 27, 2023, and determined that there were no additional events requiring adjustment to or disclosure in the financial statements.

## **Supplemental Schedules**

**Academic Properties, Inc.**  
**Supplemental Schedule of Revenue and Expenses by Property Category**  
**June 30, 2023**

	One Drexel Plaza	201 Cheswold Street	All Other Properties	Total
<b>Operating</b>				
<b>Revenues:</b>				
Rents				
Minimum lease payment, net	\$ 4,632,738	\$ -	\$ 1,574,559	\$ 6,207,297
Common area expense and utilities	2,299,727	-	2,724	2,302,451
Interest	-	-	82,807	82,807
Management fee income, affiliate	-	-	151,032	151,032
Miscellaneous	440,481	-	28,052	468,533
<b>Total revenues</b>	<b>7,372,946</b>	<b>-</b>	<b>1,839,174</b>	<b>9,212,120</b>
<b>Expenses:</b>				
Depreciation and amortization	302,802	-	673,419	976,221
Commissions	69,538	-	-	69,538
Dues and licenses	2,599	-	3,332	5,931
Payroll	477,652	56,267	67,383	601,302
Employee benefits	161,436	19,814	22,606	203,856
Insurance	229,259	-	85,008	314,267
Office	7,620	-	4,787	12,407
Professional development	13,110	-	4,903	18,013
Professional fees	125,897	-	34,539	160,436
Property taxes	106,480	-	5,175	111,655
Repairs and maintenance	805,571	-	434,129	1,239,700
Security	374,857	-	28,137	402,994
Taxes other	-	-	1,826	1,826
Telephone	15,109	-	15,869	30,978
Trash removal	7,114	-	58,793	65,907
Utilities	344,105	-	249,420	593,525
Miscellaneous	11,090	-	10,156	21,246
<b>Total expenses</b>	<b>3,054,239</b>	<b>76,081</b>	<b>1,699,482</b>	<b>4,829,802</b>
<b>Increase / (decrease) in net assets - operating activities</b>	<b>4,318,707</b>	<b>(76,081)</b>	<b>139,692</b>	<b>4,382,318</b>
<b>Non-operating</b>				
Transfers to Drexel Endowment	(1,290,588)	-	(250,412)	(1,541,000)
<b>Decrease in net assets - non-operating activities</b>	<b>(1,290,588)</b>	<b>-</b>	<b>(250,412)</b>	<b>(1,541,000)</b>
<b>Total increase / (decrease) in net assets</b>	<b>\$ 3,028,119</b>	<b>\$ (76,081)</b>	<b>\$ (110,720)</b>	<b>\$ 2,841,318</b>
<b>Net assets, beginning of year</b>	<b>31,401,563</b>	<b>(703,747)</b>	<b>(2,411,316)</b>	<b>28,286,501</b>
<b>Net assets, end of year</b>	<b>\$ 34,429,682</b>	<b>\$ (779,828)</b>	<b>\$ (2,522,036)</b>	<b>\$ 31,127,819</b>

**Academic Properties, Inc.**  
**Supplemental Schedule of Revenue and Expenses by Property Category**  
**June 30, 2022**

	One Drexel Plaza	201 Cheswold Street	All Other Properties	Total
<b>Operating</b>				
<b>Revenues:</b>				
Rents				
Minimum lease payment, net	\$ 4,975,272	\$ -	\$ 1,456,571	\$ 6,431,843
Common area expense and utilities	2,266,046	-	2,145	2,268,191
Interest	-	-	4,247	4,247
Management fee income, affiliate	-	-	128,371	128,371
Miscellaneous	453,469	-	34,399	487,868
<b>Total revenues</b>	<b>7,694,787</b>	<b>-</b>	<b>1,625,733</b>	<b>9,320,520</b>
<b>Expenses:</b>				
Depreciation and amortization	271,667	-	627,002	898,669
Commissions	69,538	-	-	69,538
Dues and licenses	2,515	-	12,331	14,846
Payroll	504,815	45,329	69,997	620,141
Employee benefits	195,680	18,304	28,324	242,308
Insurance	197,366	-	73,475	270,841
Office	5,700	-	6,817	12,517
Professional development	29,637	-	5,773	35,410
Professional fees	135,799	-	22,836	158,635
Property taxes	76,126	-	-	76,126
Repairs and maintenance	816,018	-	723,236	1,539,254
Security	364,907	-	41,196	406,103
Taxes other	-	-	32,941	32,941
Telephone	2,072	-	14,861	16,933
Trash removal	4,831	-	55,866	60,697
Utilities	322,879	-	225,663	548,542
Miscellaneous	8,211	-	5,710	13,921
<b>Total expenses</b>	<b>3,007,761</b>	<b>63,633</b>	<b>1,946,028</b>	<b>5,017,422</b>
<b>Increase / (decrease) in net assets - operating activities</b>	<b>4,687,026</b>	<b>(63,633)</b>	<b>(320,295)</b>	<b>4,303,098</b>
<b>Non-operating</b>				
Transfers to Drexel Endowment	(1,290,588)	-	(250,412)	(1,541,000)
Transfer to Drexel Brandywine Net Revenue	(532,894)	-	-	(532,894)
<b>Decrease in net assets - non-operating activities</b>	<b>(1,823,482)</b>	<b>-</b>	<b>(250,412)</b>	<b>(2,073,894)</b>
<b>Total increase / (decrease) in net assets</b>	<b>\$ 2,863,544</b>	<b>\$ (63,633)</b>	<b>\$ (570,707)</b>	<b>\$ 2,229,204</b>
<b>Net assets, beginning of year</b>	<b>28,538,019</b>	<b>(640,114)</b>	<b>(1,840,609)</b>	<b>26,057,297</b>
<b>Net assets, end of year</b>	<b>\$ 31,401,563</b>	<b>\$ (703,747)</b>	<b>\$ (2,411,316)</b>	<b>\$ 28,286,501</b>

**Academic Properties, Inc.**  
**Notes to the Supplemental Schedule of Revenue and Expenses by Property**  
**Category**  
**June 30, 2023 and 2022**

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**1. Notes to the Supplemental Schedule of Revenue and Expenses by Property Category**

The accompanying supplemental information includes the information related to certain properties owned by the Company as of June 30, 2023 and 2022 and the related statements of activities for the years then ended. It has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental combining information is presented only for purposes of additional analysis and not as a presentation of the statement of activities.