Drexel University and Subsidiaries

Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees of Drexel University

Opinion

We have audited the accompanying consolidated financial statements of Drexel University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
October 28, 2022

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2022 and 2021 ($'s in thousands)

	2022	2021
Assets:		
Cash, cash equivalents, and restricted cash		
Operating	$ 84,525	$ 84,701
Restricted	11,435	13,838
Accounts receivable	149,093	151,309
Contributions receivable, net	86,563	74,996
Loans receivable	10,090	13,052
Prepaid expenses and other assets	87,135	76,108
Malpractice insurance trust	11,136	12,833
Beneficial interests in trusts	39,913	49,596
Investments	929,830	963,448
Land, buildings and equipment, net	969,728	961,491
Finance lease right-of-use (ROU) asset	13,158	14,288
Operating lease right-of-use (ROU) asset	116,641	77,914
Total assets	$ 2,509,247	$ 2,493,574
Liabilities:		
Accounts payable	$ 56,517	$ 65,763
Accrued liabilities	139,499	101,696
Deposits and deferred revenue	178,359	172,099
Finance lease liability	8,020	9,963
Operating lease liability	145,312	92,781
Government advances for student loans	12,145	14,826
Accrued retirement obligations	27,452	35,753
Bonds and notes payable	546,648	558,757
Liabilities held for sale	1,081	1,443
Total liabilities	1,115,033	1,053,081
Net Assets:		
Without donor restrictions	573,496	603,487
With donor restrictions	820,718	837,006
Total net assets	1,394,214	1,440,493
Total liabilities and net assets	$ 2,509,247	$ 2,493,574

The accompanying notes are an integral part of these consolidated financial statements.

Drexel University and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2022 ($'s in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	$ 647,873	$ -	$ 647,873
Grants and contracts	130,328	17,240	147,568
Physician services	20,676		20,676
Auxilliary enterprises	17,829		17,829
Commonwealth appropriations	9,075		9,075
Contributions	3,890	29,923	33,813
Allocation of endowment spending from financial capital	10,265	32,687	42,952
Investment income, net	2,909	3,051	5,960
Other income	35,346	4,928	40,274
Total revenues	878,191	87,829	966,020
Net assets released from restrictions	74,637	(74,637)	-
Total revenues and releases	952,828	13,192	966,020
Expenses:			
Salaries and wages	439,861		439,861
Employee benefits	111,661		111,661
Depreciation and amortization	53,605		53,605
Interest	18,330		18,330
Other operating expenses	339,905		339,905
Total expenses	963,362	-	963,362
(Decrease) / Increase in net assets from operating activities	(10,534)	13,192	2,658
Non-operating			
Contributions - Endowment and other gifts	283	13,186	13,469
Realized / unrealized net loss on investments, net of endowment payout and expenses	(23,645)	(42,666)	(66,311)
Change in funding status of post-retirement and defined benefit plans	4,017		4,017
Other decreases	(112)		(112)
Decrease in net assets from non-operating activities	(19,457)	(29,480)	(48,937)
Total decrease in net assets	(29,991)	(16,288)	(46,279)
Net assets, beginning of year	603,487	837,006	1,440,493
Net assets, end of year	$ 573,496	$ 820,718	$ 1,394,214

The accompanying notes are an integral part of these consolidated financial statements.

Drexel University and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2021 ($'s in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	$ 614,323	$ -	$ 614,323
Grants and contracts	159,888	20,831	180,719
Physician services	3,994		3,994
Auxilliary enterprises	13,212		13,212
Commonwealth appropriations	8,970		8,970
Contributions	4,429	25,644	30,073
Allocation of endowment spending from financial capital	12,488	25,692	38,180
Investment income, net	3,212	669	3,881
Other income	38,170	368	38,538
Total revenues	858,686	73,204	931,890
Net assets released from restrictions	71,699	(71,699)	-
Total revenues and releases	930,385	1,505	931,890
Expenses:			
Salaries and wages	421,304		421,304
Employee benefits	83,312		83,312
Depreciation and amortization	54,065		54,065
Interest	18,332		18,332
Other operating expenses	306,839		306,839
Total expenses	883,852	-	883,852
Increase in net assets from operating activities	46,533	1,505	48,038
Non-operating			
Contributions - Endowment and other gifts	14	11,812	11,826
Realized / unrealized net (loss)/gain on investments, net of endowment payout and expenses	(8,683)	118,739	110,056
Change in funding status of post-retirement and defined benefit plans	3,437		3,437
Other increases	3,760		3,760
(Decrease) / increase in net assets from non-operating activities	(1,472)	130,551	129,079
Total increase in net assets	45,061	132,056	177,117
Net assets, beginning of year	558,426	704,950	1,263,376
Net assets, end of year	$ 603,487	$ 837,006	$ 1,440,493

The accompanying notes are an integral part of these consolidated financial statements.

Drexel University and Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021 ($'s in thousands)

		2022		2021
Operating activities:				
(Decrease) / increase in net assets	$	(46,279)	$	177,117
Adjustments to reconcile change in net assets to net cash				
(used in)/provided by operating activities:				
Depreciation and amortization		51,490		51,002
Loss on extinguishment of debt		-		388
Provision for uncollectible accounts		-		35,250
Loss on disposal of equipment		6,447		508
Change in market value in beneficial interests in trusts		9,683		(7,257)
Contributions restricted for long-term investment		(11,349)		(14,252)
Non-cash contributions received		(905)		(3,367)
Proceeds from the sale of donated securities		887		3,547
Actuarial change on annuity liabilities		(1,755)		(553)
Realized/unrealized gain on investments		7,076		(140,247)
Changes in assets and liabilities that provide / (use) cash:				
Accounts receivable		6,416		9,532
Contributions receivable		(12,297)		7,926
Prepaid expenses and other assets		(15,609)		(48,125)
Accounts payable and accrued liabilities		48,782		10,361
Accrued retirement obligations		(8,301)		(8,518)
Deposits and deferred revenue		6,260		(11,056)
Right-of-use assets and liabilities		3,054		-
Other, net		(362)		(7,216)
Net cash provided by operating activities		43,238		55,040
Investing activities:				
Purchase of investments		(78,005)		(157,924)
Proceeds from sales and maturities of investments		104,567		93,923
Change in malpractice insurance trust		1,697		(3,977)
Student loans repaid		2,986		5,426
Student loans issued		(24)		(5)
Purchases of land, buildings and equipment		(79,024)		(25,477)
Net cash used in investment activities		(47,803)		(88,034)
Financing activities:				
Proceeds from restricted contributions		11,349		14,252
Proceeds from sale of contributed securities restricted for endowment		728		1,563
Payments on annuity obligations		(439)		(492)
Repayments of federal student loan funds		(2,681)		(5,165)
Payments on finance lease liability		(1,943)		(2,129)
Proceeds from long-term notes payable		-		149,016
Repayments of short-term debt		-		(100,165)
Repayments of long-term debt		(9,610)		(7,891)
Net cash (used in) / provided by financing activities		(2,596)		48,989
Net (decrease) / increase in cash and cash equivalents, and restricted cash		(7,161)		15,995
Cash and cash equivalents, and restricted cash, beginning of year		103,121		87,126
Cash and cash equivalents, and restricted cash, end of year	$	95,960	$	103,121
Supplemental Information				
Gifts-in-kind	$	-	$	77
Cash paid for interest		20,835		18,883
Amounts accrued for purchase of land, buildings and equipment		22,796		4,765
Donated securities		1,635		4,822

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Organization and Operations

Drexel University (the "University") is one of the largest private universities in the United States of America. The University has the distinction of having one of the nation's oldest, largest and best-known cooperative education programs. Founded in 1891 by founder and philanthropist Anthony Joseph Drexel, the University is a private comprehensive global research university with three campuses located in Philadelphia, Pennsylvania, as well as other regional sites. With over 24,000 enrolled undergraduate, graduate and professional students, the University is dedicated to advancing knowledge and society and to providing every student with a valuable, rigorous, experiential, technology-infused education. The University offers over 200-degree programs in its 15 colleges and schools in arts and sciences, biomedical engineering and sciences, business, computing and informatics, economics, education, engineering, entrepreneurship, food and hospitality management, law, media arts and design, medicine, nursing and health professions, and public health.

Academy of Natural Sciences of Philadelphia

Pursuant to an affiliation agreement dated September 30, 2011, the University owns 100% of the Academy of Natural Sciences of Philadelphia, doing business as the Academy of Natural Sciences of Drexel University ("ANS"). ANS, founded in 1812, is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. ANS is dedicated to encouraging and cultivating the sciences and advancing learning. ANS operates a public museum in Philadelphia and conducts systematic research and research in aquatic ecosystems, including integrating such research with education regarding biodiversity and environmental science in collaboration with the University and its students.

Academic Properties, Inc.

The University owns 100% of Academic Assets, Inc. which owns 100% of Academic Properties, Inc. ("API"), an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. API manages properties used by the University, as well as other strategically located properties contiguous to its campus.

Drexel University Online, LLC

Drexel University Online, LLC ("DUO") is a non-profit, Delaware, single-member, limited liability company, wholly owned subsidiary of the University that specializes in marketing, recruiting, instructional design, and supporting innovative internet-based distance education programs for working professionals and corporations in the U.S. and abroad. DUO also provides training, performs industry comparison research, and support for grants. DUO was created on July 1, 2015 as the successor entity to the former for-profit operations of Drexel eLearning, Inc., which was merged with and into DUO on that date.

Dragon Risk Limited, Co.

Dragon Risk Limited, Co. ("DRLC") is a single member, limited liability company, formed and domiciled in the State of Vermont, of which the University is the sole member. DRLC received its Articles of Organization on May 23, 2014 from the Vermont Secretary of State, its Certificate of Authority from the Vermont Department of Financial Regulation on June 11, 2014 and commenced business on July 1, 2014. DRLC provides excess liability coverage to the University.

Drexel Global Initiatives, LLC
Drexel Global Initiatives, LLC ("Drexel Global") is a Pennsylvania, single member limited liability company established February 1, 2014, of which the University is the sole member. Drexel Global's purpose is to operate exclusively for educational purposes within the meaning of Section 501 (c)(3) of the Internal Revenue Code, and it has been established to assist the University in its international operations. The business and affairs of Drexel Global are managed by a board of managers established by the University.

DUC, LLC
DUC, LLC is a Pennsylvania limited liability company established on December 13, 2013, of which the University has 95% ownership. DUC, LLC's purpose is to carry out the purposes of the University, including, but not limited to assisting in the financing for the development, construction and leasing of certain real estate owned by the University located at 3610 Warren Street, Philadelphia, Pennsylvania 19104 (the "Land"). The University's portion of business ("POB") shall construct and develop an approximately 90,000 square foot building on this land to house the K-8 school campus for the Powel-Science Leadership Academy Middle School. The business and affairs of DUC, LLC are managed by the University.

11th Street Family Health Services, Inc.
11th Street Family Health Services, Inc. ("11th Street"), a Pennsylvania non-profit corporation, was formed on December 12, 2013. 11th Street is a non-profit real estate holding company, wholly owned by the University, organized to operate in furtherance of the activities of the University and to facilitate the use of new market tax credits in rehabilitating and expanding the structures located at 850 North 11th Street, Philadelphia (the "Property") which was donated from the University on December 23, 2013. The Property is in a qualified census tract that meets certain income, unemployment and poverty level requirements that qualified under the New Market Tax Credit Program as a qualified active low-income community business (a "QALICB"), as defined by Section 45D of the Internal Revenue Code of 1986, as amended, and Section 1.45D-1(d)(4) of the Code of Federal Regulations. The project was funded by a qualified low-income community investment loan. On December 24, 2020, the New Market Tax Credit financing was unwound. As part of the unwind, the University became the holder of the investment loan, which was satisfied in full pursuant to a Mortgage Satisfaction effective December 24, 2020. 11th Street continues to own the fee interest in the Property and leases the Property to the University pursuant to an amended lease agreement effective January 1, 2021.

1200 Chestnut Street General Partner, Inc.
1200 Chestnut Street General Partner, Inc. ("1200 Chestnut GP"), Pennsylvania corporation, is the sole general partner in 1200 Chestnut Street I, Limited Partnership ("1200 Chestnut LP"). 1200 Chestnut GP is a wholly owned subsidiary of the University. The officers of 1200 Chestnut GP are also the officers and senior leadership of the University. As part of the historic tax credit transactions, a separate, for-profit, single purpose entity was established to own the 1200-1202 Chestnut Street property with 1200 Chestnut GP holding a 1% interest. 1200 Chestnut GP follows a calendar based fiscal year.

1200 Chestnut Street I, Limited Partnership
1200 Chestnut LP, a Pennsylvania limited partnership, was formed on November 28, 2016 to acquire, own, rehabilitate and lease, manage and operate Partnership property in a manner that will qualify such rehabilitation for historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended. 1200 Chestnut LP property is comprised of the land and historic building located at 1200-1202 Chestnut Street, Philadelphia, Pennsylvania 19107. The general partner is 1200 Chestnut Street GP, which holds a 1% interest in 1200 Chestnut LP. The University meets the requirements for consolidation of 1200 Chestnut LP through its ownership of 1200 Chestnut GP and control of 1200 Chestnut LP. 1200 Chestnut LP follows a calendar based fiscal year.

3509 Spring Garden GP, Inc.
3509 Spring Garden GP, Inc., ("3509 GP") a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, LP ("3509 LP"). 3509 GP is a wholly owned subsidiary of the University. The officers of 3509 GP are also the officers and senior leadership of the University. As part of the new market tax credit and historic tax credit transactions, a for-profit, single purpose entity was needed to acquire, own, rehabilitate, lease, manage and operate the 3509 Spring Garden property (the "Dornsife Center") and to own the 3509 Spring Garden, LP Qualified Active Low-Income Community Business ("QALICB"). The 3509 LP QALICB was established, with 3509 GP acting as the general partner and holding a 90% interest. On September 30, 2020, the new market tax credit and historic tax credit financing was unwound, and the investment loans have been deemed satisfied. 3509 GP follows a calendar based fiscal year.

3509 Spring Garden, LP
3509 Spring Garden, LP, a Pennsylvania limited partnership ("3509 LP"), was formed on February 25, 2013, to acquire, own, rehabilitate, lease, manage and operate the Dornsife Center in a manner that will qualify such rehabilitation for historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended (the "Code"). The Dornsife Center is also located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a QALICB under Section 45D of the Code. On September 30, 2020, the new market tax credit and historic tax credit financing was unwound, and the investment loans have been deemed satisfied. 3509 LP follows a calendar based fiscal year.

3509 Spring Garden MT Manager, Inc.
3509 Spring Garden MT Manager, Inc., ("3509 MT Manager") a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden MT, LP, a Pennsylvania limited partnership ("3509 MT"). 3509 MT Manager is a wholly owned subsidiary of the University. The officers of 3509 MT Manager are also the officers and senior leadership of the University. As part of the new market tax credit and historic tax credit transactions, 3509 MT Manager and 3509 MT were established as separate, for-profit, single purpose entities to operate the sublease of the Dornsife Center to satisfy the new markets tax credit and historic tax credit requirements. 3509 MT Manager held a 0.01% interest in 3509 MT. On September 30, 2020, the new market tax credit and historic tax credit financing was

unwound. As part of the unwind, 3509 MT Manager and 3509 MT were dissolved and liquidated. In the liquidation, the University acquired the 10% limited partnership interest in 3509 LP previously owned by 3509 MT. Consequently, the University remains the direct owner of a 10% limited partnership interest in 3509 LP, and an indirect 90% limited partnership interest in 3509 LP through its ownership of 3509 GP. 3509 MT Manager follows a calendar based fiscal year.

3509 Spring Garden MT, LP
3509 MT was formed on August 21, 2013, to lease the Dornsife Center from 3509 LP in satisfaction of the requirements for historic tax credits pursuant to that certain Master Lease dated August 21, 2013 (the "Master Lease"). 3509 MT contributed equity from a historic tax credit investor to 3509 LP in exchange for a 10% limited partnership interest in 3509 LP, in order to fund the rehabilitation and development of the Dornsife Center. 3509 MT then subleased the Dornsife Center to the University (the "Sublease"). The University meets the requirements for consolidation of the 3509 MT through its ownership of the general partner (3509 MT Manager) and control of 3509 MT. On September 30, 2020, the new market tax credit and historic tax credit financing was unwound. As part of the unwind, 3509 MT Manager and 3509 MT were dissolved and liquidated. In the liquidation, the University acquired the 10% limited partnership interest in 3509 LP previously owned by 3509 MT. Consequently, the University remains the direct owner of a 10% limited partnership interest in 3509 LP, and an indirect 90% limited partnership interest in 3509 LP through its ownership of 3509 GP. Additionally, both the Master Lease and the Sublease were terminated in the unwind and were replaced by a direct lease of the Dornsife Center from 3509 LP to the University pursuant to a certain Agreement of Lease effective October 1, 2020. 3509 MT follows a calendar based fiscal year.

2. Summary of Significant Accounting Policies

General
The University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The consolidated financial statements include the University, the Academy of Natural Sciences of Philadelphia, Drexel University Online, LLC, Academic Properties, Inc., and the University's other subsidiaries which are described in detail in these notes. All University subsidiaries have a fiscal year ending June 30, unless otherwise indicated in Note 1. All subsidiary financial information included within the financial statements has been consolidated utilizing the University's fiscal year.

Basis of Presentation
The consolidated 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 the university 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. All material transactions between the University and its subsidiaries have been eliminated.

Net Assets without Donor Restrictions – Net assets derived from tuition and other University resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions include board designated funds functioning as endowment funds.

Net Assets with Donor Restrictions - Net assets which are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, net assets from endowments not yet appropriated for spending by the University and student loan funds. In some cases, donor restrictions can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time. In other cases, some restrictions, such as endowed funds, are permanent, and typically, the donors of these assets permit the University to use all or part of the income earned on these assets for operations. Restrictions include support of specific schools, colleges and departments of the University, professorships, research, faculty support, scholarships and fellowships, building construction and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Measure of Operations

The University's measure of operations as presented in the Consolidated Statements of Activities includes revenue from tuition and fees, room and board, grants and contracts, physician services, contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the Consolidated Statements of Activities by natural classification.

Liquidity and Availability

The University's financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2022 and 2021 are as follows:

(in thousands)	2022	2021
Total assets at year-end	$ 2,509,247	$ 2,493,574
Less: non-financial and financial assets not available within one year		
Restricted cash	(11,435)	(13,838)
Tuition receivable due in more than one year	(4,631)	(5,693)
Contributions receivable with donor restrictions	(86,563)	(74,996)
Loans receivable due in more than one year	(5,058)	(8,146)
Prepaid expenses and other assets	(87,135)	(76,108)
Malpractice insurance trust	(11,136)	(12,833)
Beneficial Interests in trusts	(39,913)	(49,596)
Investments	(929,830)	(963,448)
Land, buildings and equipment, net	(969,728)	(961,491)
Finance lease right-of-use (ROU) asset	(13,158)	(14,288)
Operating lease right-of-use (ROU) asset	(116,641)	(77,914)
Financial assets available at year-end for current use	$ 234,019	$ 235,223

As of June 30, 2022, the University has $234,019,000 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 the University's annual expenditures will be funded by current year operating revenues including tuition and fees, room and board, grant and contract income and auxiliary enterprise income. The University structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, for fiscal year 2022 and 2021, the Board of Trustees approved a current distribution of 4.75% and of 6.00%, respectively, of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS, for which the Board of Trustees approved a distribution of 7.00% of the fair market value of the pooled endowment assets for the prior seven fiscal years. Under the approved spending rules, the University received an allocation of $42,952,000 and $38,180,000 in fiscal years 2022 and 2021, respectively. The endowment portfolio structures cash to be available for the endowment spend and to fulfill capital calls for alternative investments.

To help manage unanticipated liquidity needs, the University has committed lines of credit in the amount of $150.0 million, which it could draw upon. Additionally, the University has a board-designated endowment of $304,755,000 as of June 30, 2022. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, the board-designated endowment funds contain investments with lock-up provisions that reduce the total investments that could be made available.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. At June 30, 2022 and 2021, the University 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. Restricted cash includes funds related to the Perkins Loan program and K-8 Powel Elementary School and Science Leadership Academy Middle School ("Powel/SLA-MS") project. All money market funds that are held in endowment are considered investments by the University. Cash, cash equivalents, and restricted cash as reported in the consolidated statement of cash flows are presented on the consolidated statement of financial position as follows:

(in thousands)		2022		2021
Cash, cash equivalents, and restricted cash				
Operating	$	84,525	$	84,701
Restricted		11,435		13,838
Prepaid expenses and other assets		-		4,582
Total cash, cash equivalents, and restricted cash	$	95,960	$	103,121

Contributions Receivable
Contributions and unconditional pledges are recorded at the present value of their expected future cash flows. Unconditional pledges that are expected to be collected within one year are recorded at their estimated net realizable value. Conditional pledges are not included as revenue until the conditions, which represent barriers that must be overcome before the University is entitled to the assets transferred, are fulfilled. Contributions are reported as an increase in the appropriate net asset category.

Beneficial Interests in Trusts and Split-Interest Agreements
The University is the beneficiary of the income of certain trusts but has neither possession nor control of the investments. Beneficial interests in trusts are classified as Level 3. (See Note 6 for investment level definitions). The trusts are recorded at fair value based on the interest in the trust as determined by the trustee based on the value of underlying securities held by the trusts and are primarily composed of equity and fixed income securities that have readily determinable values. The primary unobservable inputs used in the fair value measurement of the trusts are the present value of expected future cash flows. Significant fluctuation in the securities held in the trusts could result in a material change in fair value. The University is also party to certain split-interest agreements. The related liabilities to these arrangements are revalued annually based on the current interest rate tables from the Society of Actuaries and are categorized as Level 3.

Fair Value of Financial Instruments
The University applies fair value measurements in the year of receipt to contributions receivable, beneficial interests in trusts, investments, self-insurance escrow funds, internally held real estate of the endowment, funds held by trustees, interest rate swaps, and annuities on an annual basis. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans cannot be made because the loans cannot be sold and can only be assigned to the U.S. Government or its designees. These loans are recorded at cost, less an allowance for doubtful accounts and the carrying value of the loan receivable from students under Drexel's loan programs approximate fair value. (Notes 5, 6, 7, and 10 for additional fair value disclosures).

Physician Services

Faculty physicians participate in several physician practice plans that are managed by the University. Revenue and expenses related to these practice plans are recorded by the University as physician services. Physician services include patient service revenue and other physician service activities.

Patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered. The University provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide payment for covered services at agreed-upon rates under certain fee schedules and various discounts. Price concessions to estimate the difference between gross rates and contracted rates with payers have been included in the determination of net revenue.

The University's College of Medicine participates in 340B pediatric and adult practice programs as approved by the Health Resources and Services Administration (HRSA) in the areas of Infectious Disease (pediatric and adult) and Family Planning (pediatrics). The University has contracts with drug distributors that provide medications at a reduced cost to contracted pharmacies. The pharmacies bill insurances for prescriptions issued by these practices and remit the revenue to the University less administrative fees. The difference between the amounts received by the University from the pharmacies and the cost of the medications and administrative fees to the University is used by the practices to provide comprehensive services that otherwise could not be offered under the traditional health insurance fee for service model.

Contributions

All contributions received are available for unrestricted use unless specifically restricted by the donor. Amounts to be received in the future or that are designated for future periods or restricted by the donor for specific purposes are classified as such. Contributions having restrictions that are general purpose in nature are released in the year of the donation.

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded as without restrictions.

Non-operating Activities

Non-operating activities include contributions to the University's endowment, investment returns, gains and losses on investments, and other activities related to endowment, post-retirement benefit plan and defined benefit pension plan adjustments, restructuring costs, and losses on extinguishment 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.

Income Taxes
The University has been granted tax-exempt status as a non-profit organization under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (*Return of Organization Exempt from Income Tax*), annually. The University files U.S. federal, state and local informational returns. The statute of limitations on the University's U.S. federal information returns remains open for three years following the year they are filed.

The University and its affiliates engage in activities that are subject to unrelated business income taxes for which appropriate income tax returns are filed (Note 17).

The FASB issued ASC No. 740-10, *Accounting for Uncertainty in Income Taxes,* which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. The University does not believe there are any uncertain tax positions that require recognition in the financial statements.

Recently Adopted Accounting Pronouncements
In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which aims to improve the usefulness of the disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. After the adoption of ASU 2018-13, the University is no longer required to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timings of transfers between levels; the valuation processes for Level 3 fair value measurements; and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The ASU also eliminated the requirement to disclose a roll forward for Level 3 fair value measurements. ASU No. 2018-013 is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The University has adopted the standard effective July 1, 2020. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The ASU aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. ASU No. 2018-15 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. Entities can apply the guidance prospectively or retrospectively. The University has early adopted the standard on a prospective basis effective July 1, 2020. The adoption of this guidance did not have a material impact on the consolidated financial statements.

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 additional 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. The University has adopted the standard effective July 1, 2021. The adoption of this guidance did not have a material impact on the consolidated financial statements.

During March 2019, the FASB issued ASU No. 2019-03, *Updating the Definition of Collections*. ASU No. 2019-03 indicates the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from collections items that are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. ASU No. 2019-03 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, and the standard should be applied on a prospective basis when adopted. The University has adopted the standard on a prospective basis effective July 1, 2020. The adoption of this guidance did not have a material impact on the consolidated 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. The University has adopted the standard on a retrospective basis, and the adoption of this guidance did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This ASU represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to Disclosure Requirements for Defined Benefit Plans* which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-014 is effective for public business entities for annual periods beginning after December 15, 2021, with early adoption permitted on a retrospective basis to all periods presented. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In November 2021, the FASB recently issued ASU No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* to increase transparency about assistance provided to businesses by a government that has been accounted for by analogizing to a grant or contribution accounting model. ASU No. 2021-10 is effective for all entities within its scope for financial statements issued for annual periods beginning after December 15, 2021 and can be applied either prospectively or retrospectively. Early application is permitted. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

3. Accounts Receivable

Accounts receivable are reported less estimates for uncollectable amounts and contractually based discounts.

Accounts receivable as of June 30, 2022 and 2021 were as follows:

(in thousands)	**2022**	**2021**
Tuition	$ 64,367	$ 73,008
Grants, contracts, and other	94,788	88,437
Patient, net of contractual allowance	420	77
Tower Health	-	548
St. Christopher Hospital for Children	239	-
Accounts receivable, gross	159,814	162,070
Allowance for doubtful accounts:		
Tuition	(4,779)	(5,510)
Grants, contracts, and other	(5,927)	(5,227)
Patient	(15)	(24)
Accounts receivable	$ 149,093	$ 151,309

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 maintaining 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.

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 $12,148,000 and $14,826,000 at June 30, 2022 and 2021, 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. As of October 1, 2017, the Federal Perkins Loan Program expired, and new loans are no longer awarded and disbursed.

At June 30, 2022 and 2021, student loans consisted of the following:

(in thousands)	2022	2021
Federal government loan programs		
Perkins loan program	$ 9,382	$ 11,771
Health professions student loans and loans for disadvantaged students	-	25
Federal government loan programs	9,382	11,796
Institutional loan programs	4,709	5,233
Student loans receivable, gross	14,091	17,029
Less: Allowance for doubtful accounts	(4,001)	(3,977)
Student loans receivable	$ 10,090	$ 13,052

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. 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 a student loan receivable is deemed uncollectible, an allowance for doubtful accounts is established.

4. Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable with a payment due more than a year from the pledge date are recorded net of a discount using rates as of June 30, 2022 and June 30, 2021 that range between 2.92% to 3.010% and 0.25% to 1.45%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC No. 820-10 (Note 6).

Net contributions receivable at June 30 were as follows:

(in thousands)		**2022**		**2021**
Amounts due in				
Less than one year	$	21,324	$	19,174
One to five years		31,985		22,256
Greater than five years		53,108		47,013
Contributions receivable, gross		106,417		88,443
Less:				
Allowance for uncollectibles		(1,034)		(1,042)
Discounts to present value		(18,820)		(12,405)
Contributions receivable, net	$	86,563	$	74,996

As of June 30, 2022 and June 30, 2021, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of $138,148,000 and $113,568,000, respectively. When the conditional barriers are overcome and the donor's right of return has expired, the revenue is recorded and is generally restricted for operations, endowment and capital projects as stipulated by the donors.

5. Investments and Investment Return

At June 30, 2022 and 2021, the fair value of the malpractice insurance trust and investments included the following:

		Fair value		
(in thousands)		**2022**		**2021**
Money market funds	$	30,854	$	29,172
U.S. equity		176,268		217,260
Global equity		138,410		171,695
Fixed income securities and bond funds		88,622		96,065
Real estate and real assets funds		113,262		107,648
Hedge funds		58,713		41,798
Private equity		188,810		163,594
Directly-held real estate		118,223		117,978
Total endowment investments		913,162		945,210
Self-insurance escrow funds		36,222		41,337
Interest in a partnership		(28,601)		(23,864)
Other investments		9,046		765
Total investments		929,830		963,448
Malpractice insurance trust		11,136		12,833
Total investments and malpractice insurance trust	$	940,966	$	976,281

Self-insurance escrow funds are comprised of mutual funds that trade on active markets with readily observable prices. Malpractice insurance trust funds are comprised of fixed income securities with readily observable prices.

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2022 and 2021:

	2022		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Investment income, net of expenses	$ 3,957	$ 9,030	$ 12,987
Realized/unrealized loss	(17,337)	(19,009)	(36,346)
Endowment payout under spending formula	(10,265)	(32,687)	(42,952)
Realized/unrealized loss on investments, net of endowment payout and expenses	(23,645)	(42,666)	(66,311)
Operating investment income, net	2,909	3,051	5,960
Total return on investments	$ (20,736)	$ (39,615)	$ (60,351)

	2021		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Investment income, net of expenses	$ 2,299	$ 5,074	$ 7,373
Realized/unrealized gains	1,506	139,357	140,863
Endowment payout under spending formula	(12,488)	(25,692)	(38,180)
Realized/unrealized (loss) /gain on investments, net of endowment payout and expenses	(8,683)	118,739	110,056
Operating investment income, net	3,212	669	3,881
Total return on investments	$ (5,471)	$ 119,408	$ 113,937

6. Fair Value of Financial Instruments

The three-level hierarchy for fair value measurements is based on observable and unobservable 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 ("exit price") at the measurement date.

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 number 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 nonexchange traded fixed income securities 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 trusts and annuities, directly held real estate, and interest in real estate.

As a practical expedient, the University estimates the fair value of an investment in an investment company fund at the measurement date using the reported net asset value (NAV). The fair values of alternative investments represent the University's ownership interest in the net asset value (NAV) of the respective fund. Investments held by the funds consist of marketable securities, as well as securities that do not have readily determinable fair values. The fair values of the securities held by these funds that do not have readily determinable fair values are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issue, and subsequent developments concerning the companies to which the securities relate.

The significant unobservable inputs used in the fair value measurements of the University's investments in real estate are the selection of certain investment rates (discount rate, terminal capitalization rate, and overall capitalization rate). Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement, respectively.

As of June 30, 2022, and 2021, assets and liabilities at fair value were as follows:

	2022				
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments at NAV**	**Total**
Assets					
Beneficial interest in trusts	$ -	$ -	$ 39,913	$ -	$ 39,913
Malpractice insurance trust	11,136	-	-	-	11,136
Investments					
Money market funds	30,854	-	-	-	30,854
U.S. Equity	162,109	-	-	14,159	176,268
Global Equity	73,879	-	-	64,531	138,410
Fixed Income securities and bond funds	85,667	1,423	-	1,532	88,622
Real estate and real assets funds	-	-	4,431	108,831	113,262
Hedge funds	2,715	-	-	55,998	58,713
Private Equity	-	-	-	188,810	188,810
Directly-held real estate	-	-	118,223	-	118,223
Investments held in endowment	355,224	1,423	122,654	433,861	913,162
Self-insurance escrow funds	36,222	-	-	-	36,222
Other investments	8,742	-	-	304	9,046
Total investments	400,188	1,423	122,654	434,165	958,430
Total assets mesaured at fair value	$ 411,324	$ 1,423	$ 162,567	$ 434,165	$ 1,009,479
Liabilities					
Split-interest agreements	-	-	1,121	-	1,121
Annuities	-	-	5,342	-	5,342
Total liabilities measured at fair value	$ -	$ -	$ 6,463	$ -	$ 6,463

	2021				
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments at NAV**	**Total**
Assets					
Beneficial interest in trusts	$ -	$ -	$ 49,596	$ -	$ 49,596
Malpractice insurance trust	12,833	-	-	-	12,833
Investments					
Money market funds	29,172	-	-	-	29,172
U.S. Equity	198,706	-	-	18,554	217,260
Global Equity	88,885	-	-	82,810	171,695
Fixed Income securities and bond funds	91,979	1,624	-	2,462	96,065
Real estate and real assets funds	-	-	3,990	103,658	107,648
Hedge funds	-	-	-	41,798	41,798
Private Equity	-	-	-	163,594	163,594
Directly-held real estate	-	-	117,978	-	117,978
Investments held in endowment	408,742	1,624	121,968	412,876	945,210
Self-insurance escrow funds	41,337	-	-	-	41,337
Other investments	461	-	-	304	765
Total investments	450,540	1,624	121,968	413,180	987,312
Total assets measured at fair value	$ 463,373	$ 1,624	$ 171,564	$ 413,180	$ 1,049,741
Liabilities					
Split-interest agreements	-	-	1,443	-	1,443
Annuities	-	-	6,775	-	6,775
Total liabilities measured at fair value	$ -	$ -	$ 8,218	$ -	$ 8,218

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

2022				
(in thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Terms (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Hedge funds:				
Multi-Strategy Hedge Funds (a)	$ 12,686	$ -		
Distressed Debt Hedge Funds (b)	16,216	-		
Fixed Income and Related Hedge Funds (c)	17,421	-	Quarterly	45 days
Real Estate Hedge Funds (d)	9,675	-	Quarterly	60 days
Subtotal Hedge funds	55,998	-		
Private Equity:				
Private Capital Funds-Secondaries (e)	4,686	2,869		
Private Capital Funds-Venture Capital (f)	1,410	198		
Private Capital Funds-Buy-out (g)	95,126	28,055		
Private Capital Funds-Debt (h)	10,154	6,551		
Private Capital Funds-Real Asset Funds (i)	59,637	30,480		
Private Capital Funds-Real Estate Funds (j)	17,755	16,772		
Private Capital Funds-Hedge Fund Seeder (k)	42	222		
Subtotal Private Equity	188,810	85,147	Close-ended funds not available for redemption	
US Equity (l)	14,159	-		
Global Equity (l)	64,531	-		
Fixed Income Securities and Bond Funds (l)	1,532	-		
Real Estate and Real Assets Funds (l)	108,831	-		
Other investments (l)	304	-		
	$ 434,165	$ 85,147		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2022, the composite portfolio includes 99% in a multi-strategy hedge fund that invests a significant portion of its assets in certain less liquid special situations opportunities, and 1% 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 4 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

b. This category includes investments in hedge funds that invest in debt of companies in or facing bankruptcy. As of June 30, 2022, the composite portfolio includes 86% in an opportunistic credit strategy that invests in liquid and special situation credits, and 14% 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 4 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

c. This category includes investment in hedge funds that invest in U.S. mortgage-backed securities. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

d. This category includes investment in hedge funds that invest in diversified U.S. real estate properties. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

e. 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. As of June 30, 2022, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 100% in 1 to 4 years. As of June 30, 2021, the liquidation periods were expected to be: 100% in 1 to 4 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

f. 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. As of June 30, 2022, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 100% in 1 to 4 years. As of June 30, 2021, the liquidation periods were expected to be: 100% in 1 to 4 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

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 diversified across industries and primarily 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. As of June 30, 2022, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 39% over 1 to 4 years; 48% in 5 to 7 years; and 13% over 8 to 10 years. As of June 30, 2021, the liquidation periods were expected to be: 19% in 1 to 4 years; 67% in 5 to 7 years; and 13% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

h. This category includes investments in private equity funds that provide debt financing to middle market firms. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2022, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 22% in 1 to 4 years; and 78% in 5 to 7 years. As of June 30, 2021, the liquidation periods were expected to be: 29% in 1 to 4 years; 62% in 5 to 7 years; and 10% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

i. This category includes investments in private equity funds that invest primarily in real assets (e.g., investments with intrinsic value, such as real estate, infrastructure, 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. As of June 30, 2022, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 24% in 1 to 4 years; 64% in 5 to 7 years; and 12% in 8 to 10 years. As of June 30, 2021, the liquidation periods were expected to be: 33% in 1 to 4 years; 53% in 5 to 7 years; and 14% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real asset fund.

j. This category includes investments in private equity funds that invest in U.S. commercial real estate. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2022, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 21% in 1 to 4 years; 53% in 5 to 7 years; and 26% in 8 to 10 years. As of June 30, 2021, the liquidation periods were expected to be: 29% in 1 to 4 years; 56% in 5 to 7 years; and 15% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate fund.

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, 2022, the remaining investment is made up of cash held by the investment manager until the fiscal year end audit has been completed. It is estimated that the remaining audit holdback will be distributed within 1 year, as of June 30, 2022. The fair value has been estimated using the reported net asset value per share of the private capital fund.

l. This category includes investments in US equity, global equity, fixed income securities and bond funds, real estate and real assets funds, and other investments. Investments in this category reflect the fair value of the specific assets or the underlying ventures' net assets. The valuations of these investments are the net asset values prepared by fund managers. Majority of these investments are commingled funds.

The University owns partnership interests in a real estate portfolio classified real estate and real estate funds as a Level 3 asset. The interests have a fair market value of $4,431,000 net of $1,429,000 in outstanding debt. The valuation of these investment properties is prepared annually by an independent appraiser.

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, 2022 and 2021, the University had an endowment spending rule that limited the spending of endowment resources to 4.75% and 6.00%, respectively, of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS. For the fiscal year ended June 30, 2022 and 2021, ANS had an endowment spending rule that limited the spending of endowment resources to 7.00% of the fair market value of the pooled endowment assets for the prior seven fiscal years. This rule was applied except in cases where the spending rate had been stipulated by the donor agreement (typically 5.0%).

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. 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 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. Because of this interpretation, the University internally 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) earnings of the endowment made in accordance with the direction of the applicable donor designation. 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. Both permanently restricted and temporarily restricted net assets are considered net assets with donor restrictions as per the applicable accounting standards. The University's policy is to not allocate spend from underwater endowment funds.

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. The aggregate amount of funds with deficiencies is reported in net assets with donor restrictions in the Consolidated Statements of Activities. Subsequent investment gains are used to restore the balance to the fair market value of the original amount of the gift. Aggregate deficiencies were $1,320,000 and $177,000 as of June 30, 2022 and 2021, respectively. The original gift amount and the fair value of underwater endowment funds in the aggregate were $19,817,000 and $18,508,000 as of June 30, 2022 and $6,539,000 and $6,362,000 as of June 30, 2021, respectively.

The net asset balances for the endowment composition by fund as of June 30, 2022 and 2021 were as follows:

	2022		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 629,495	$ 629,495
Board-designated endowment funds	304,755	-	304,755
Total assets	$ 304,755	$ 629,495	$ 934,250

	2021		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 650,736	$ 650,736
Board-designated endowment funds	313,699	-	313,699
Total assets	$ 313,699	$ 650,736	$ 964,435

Changes in the University's endowment assets (excluding annuities and trusts) and for the years ended June 30, 2022 and 2021 were as follows:

	2022		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment, at beginning of year	$ 313,699	$ 650,736	$ 964,435
Endowment return:			
Investment income, net of fees	3,957	9,030	12,987
Net realized/unrealized loss	(2,384)	(9,928)	(12,312)
Total endowment return	1,573	(898)	675
Contributions	224	11,400	11,624
Use of endowment assets:			
Endowment payout used in operations	(10,741)	(32,211)	(42,952)
Other	-	468	468
Total uses of endowment assets	(10,741)	(31,743)	(42,484)
Endowment, at end of year	$ 304,755	$ 629,495	$ 934,250

	2021		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment, at beginning of year	$ 270,457	$ 531,197	$ 801,654
Endowment return:			
Investment income, net of fees	2,299	5,074	7,373
Net realized/unrealized gain	51,738	130,458	182,196
Total endowment return	54,037	135,532	189,569
Contributions	13	11,331	11,344
Use of endowment assets:			
Endowment payout used in operations	(10,804)	(27,376)	(38,180)
Other	(4)	52	48
Total uses of endowment assets	(10,808)	(27,324)	(38,132)
Endowment, at end of year	$ 313,699	$ 650,736	$ 964,435

Endowment Loan

On December 5, 2018, the University's Board of Trustee's authorized management to fund the capital expenditures associated with the renovation and expansion of Bentley Hall (formerly Calhoun Hall) with a loan investment from the University's endowment portfolio, not to exceed $35,000,000. On February 19, 2019, the University received a $5,000,000 gift from Greg S. and Caroline Bentley for which the dormitory has been renamed. The dormitory will house a living/learning community for the Pennoni Honors College students and include a new, two-story glass stone addition of 10,800 square feet that will house the Pennoni Honors College offices and seminar rooms. The loan investment is consistent with the asset allocation provisions of the University's endowment Investment Policy Statement. Furthermore, the interest rate associated with this loan investment is comparable to investments of similar risk that are available to the endowment for investment.

The loan investment is interest-only over the five-year term, with a balloon payment of principal due no later the last day of the 60th month following the initial/first Anniversary Date. The interest rate is fixed for the first four years at 5% per annum ("Base Rate"). Effective as of the fifth anniversary date, the Base Rate will increase to the greater of (a) 5% plus 100 basis points (bps) or (b) the 10-year U.S. Treasury note plus 200 bps, not to exceed a rate of 8%. While the loan investment is outstanding, any donor funds received in support of this project, in supporting or naming the building, or associated activities concerning the property, will be directly applied to the outstanding principal balance of the loan investment. The University will incur zero fees, and the entire loan investment can be prepaid, at any time, without penalty at the discretion of the University.

In accordance with Treasury Regulation § 1.150-2, the University may temporarily finance from its own funds, all or a portion of the costs of the renovation and expansion of Bentley Hall up to an amount equal to the total costs of the renovation and expansion of Bentley Hall, which shall not exceed $35,000,000, and may then use all or a portion of the proceeds of tax-exempt obligations to reimburse itself for expenditures originally paid prior to the date of issuance of the tax-exempt obligations, and all original expenditures which may be reimbursed will be capital expenditures (as defined in Treasury Regulation § 1.150-1(b)) and other permissible amounts under Treasury Regulation § 1.150-2(d)(3).

On August 3, 2020, the loan was repaid utilizing proceeds from the University's 2020A tax exempt debt issuance.

On December 4, 2019, the University's Board of Trustee's authorized management to fund a portion of its share of the St. Christopher's Hospital for Children acquisition costs with a loan investment from the University's endowment portfolio, up to $13.0 million.

The loan investment is consistent with the asset allocation provisions of the University's endowment Investment Policy Statement. Furthermore, the interest rate associated with this loan investment is comparable to investments of similar risk that are available to the endowment for investment. The terms of this investment loan mirror the terms of the Bentley Hall endowment loan defined above. On July 22, 2020, the loan was fully repaid utilizing proceeds from the University's 2020B taxable debt issuance.

On December 4, 2019, the University's Board of Trustee's authorized management to establish a $40.0 million short term line of credit to support additional start-up needs for St. Christopher's Hospital for Children and costs associated with the dissolution of the Drexel Physician Practice Plan resulting from the bankruptcy of the American Academic Health System and the abrupt closure of Hahnemann University Hospital. The line of credit was funded by an investment loan from the University's endowment portfolio.

The loan investment is consistent with the asset allocation provisions of the University's endowment Investment Policy Statement. Furthermore, the interest rate associated with this loan investment is comparable to investments of similar risk that are available to the endowment for investment. The annual interest rate on the investment loan is 6.5% The interest rate is based on the expected return of the overall portfolio. On July 22, 2020, the loan was fully repaid utilizing proceeds from the University's 2020B taxable debt issuance.

On March 3, 2021, the University's Board of Trustee's authorized management to fund the capital expenditures associated with the renovation and expansion of Kelly Hall with a loan investment from the University's endowment portfolio, not to exceed $40,000,000. The renovation will address the needs of the building envelope and modernize the building throughout to provide an improved living experience and include a 4,000 square foot addition to provide flexible open space for students. The loan investment is consistent with the asset allocation provisions of the University's endowment Investment Policy Statement. Furthermore, the interest rate associated with this loan investment is comparable to investments of similar risk that are available to the endowment for investment.

The loan investment is interest-only over the five-year term, with a balloon payment of principal due no later the last day of the 60th month following the initial/first Anniversary Date. The interest rate is fixed for the first four years at 6.10% per annum ("Base Rate"). Effective as of the fifth anniversary date, the Base Rate will increase to the greater of (a) 6.10% plus 100 basis points (bps) or (b) the 10-year U.S. Treasury note plus 200 bps, not to exceed a rate of 8%. While the loan investment is outstanding, any donor funds received in support of this project, in supporting or naming the building, or associated activities concerning the property, will be directly applied to the outstanding principal balance of the loan investment. The University will incur zero fees, and the entire loan investment can be prepaid, at any time, without penalty at the discretion of the University. As of June 30, 2021, borrowing had not yet commenced on the loan. As of June 30, 2022, the University borrowed $4.0 million for the project.

In accordance with Treasury Regulation § 1.150-2, the University may temporarily finance from its own funds, all or a portion of the costs of the renovation and expansion of Kelly Hall up to an amount equal to the total costs of the renovation and expansion of Kelly Hall, which shall not exceed $40,000,000, and may then use all or a portion of the proceeds of tax-exempt obligations to reimburse itself for expenditures originally paid prior to the date of issuance of the tax-exempt obligations, and all original expenditures which may be reimbursed will be capital expenditures (as defined in Treasury Regulation § 1.150-1(b)) and other permissible amounts under Treasury Regulation § 1.150-2(d)(3).

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 are computed on a straight-line basis over the lesser of the estimated useful lives of the assets ranging from 3 to 30 years for equipment, 3 to 5 years for software, and 5 to 60 years for buildings and improvements or the shorter of the term of the lease.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was $1,275,000 and $3,832,000 at June 30, 2022 and $1,275,000 and $3,772,000 at June 30, 2021, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the Consolidated Statements of Financial Position. The demolition of the University City High School and removal of its hazardous substances significantly reduced the University's asset retirement obligation resulting in a significant credit to the depreciation expenses to recognize the elimination of this obligation.

The University maintains ownership of a parcel of property located at 1200 Chestnut Street, Philadelphia, PA. The use of the building is restricted for use by the Thomas R. Kline School of Law's Trial Advocacy Program.

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

(in thousands)	**2022**	**2021**
Works of art	$ 10,859	$ 10,854
Land and improvements	152,210	152,188
Buildings and improvements	1,241,862	1,238,500
Equipment, software and library books	197,579	233,805
Construction in progress	50,374	6,800
Land, buildings, and equipment, gross	1,652,883	1,642,147
Less: Accumulated depreciation	(683,155)	(680,656)
Land, buildings, and equipment, net	$ 969,728	$ 961,491

9. Leases

In February 2016, the FASB issued ASU 2016-02 (Topic 842) "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases can be classified as either finance or operating.

The University adopted and applied Topic 842 to all leases effective July 1, 2019. The University elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Also, the University also elected the policy exemption that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The University determines if an arrangement is or contains a lease at inception of the contract. The right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The University uses the implicit rate noted within the contract. If not readily available, the University uses the estimated incremental borrowing rate, which is derived using a collateralized borrowing rate and term as the associated lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less and a lease expense is recognized for these leases on a straight-line basis over the lease term within lease and rental expense.

The components of lease expense for the fiscal year ended June 30, 2022, and 2021 are as follows:

(in thousands)	**2022**	**2021**
Lease Expense:		
Finance lease expense		
Amortization of ROU assets	1,129	1,209
Interest on lease liabilities	74	111
Operating lease expense	23,426	22,349
Short-term lease expense	754	-
Variable lease expense	16,420	6,131
Total	41,803	29,800

Other Information		
Cash paid for amounts included in the measurement of lease liabilities for finance leases		
Finance - Financing cash flows	1,943	2,129
Finance - Operating cash flows	74	111
Operating - Operating cash flows	20,371	23,280
ROU assets obtained in the exchange for lease liabilities		
Finance leases	0	2,620
Operating leases	59,438	7,431
Weighted-average remaining lease terms (in years)		
Finance leases	42.86	36.32
Operating leases	11.87	11.47
Weighted-average discount rate		
Finance leases	0.78%	1.03%
Operating leases	1.86%	2.25%

Maturities of lease liabilities as of June 30, 2022 were as follows:

	Finance	Operating
07/01/2022 - 06/30/2023	811	21,556
07/01/2023 - 06/30/2024	768	17,024
07/01/2024 - 06/30/2025	407	16,896
07/01/2025 - 06/30/2026	123	16,202
07/01/2026 - 06/30/2027	123	14,934
Thereafter	5,860	78,696
Total	8,092	165,308
Less: Present value discount	(72)	(19,996)
Lease liability	8,020	145,312

The University entered into an agreement with the Commonwealth of Pennsylvania (the "Commonwealth") on August 1, 2002 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. In June 2018, the University and the Commonwealth of Pennsylvania entered into an amendment to the original lease agreement to extend the initial term for the "Drill Hall" portion of the lease to sixty-five years. The University remeasured the capital lease asset and liability based on the fair market value of the rent under the arrangement for the revised lease term of 65 years. The capital lease liability amounted to $6,475,000 and $6,599,000 at June 30, 2022 and 2021, respectively. These costs have been capitalized and a comparable capital lease liability recorded. In June 2018, the University entered into a sublease agreement for the Drill Hall portion of the Armory, the term of which is coterminous with the Armory lease. The sublease is for the benefit of the U.S. Squash Racquet Association. Rent under the sublease agreement is nominal for the entire lease term.

On January 23, 2012, the University and ACC OP (Chestnut PA), LLC, an affiliate of American Campus Communities ("ACC"), entered a triple net ground lease structure governing the conveyance of the land area located on 3200 Chestnut Street with a base lease term of forty years and three, ten-year option periods. In consideration for the right to develop, own, and operate the proposed project referred to as "Chestnut Square" on the University's campus, ACC pays the University annual ground rent of $254,000. Chestnut Square includes 360,000 square feet of residential space, housing approximately 863 students. The facility also includes 36,000 square feet of retail and office space along the Chestnut Street frontage. The structures consist of two eight story low-rise buildings and a nineteen-story high-rise residential tower at the corner of 32nd and Chestnut Streets. A 101,500-square foot parking structure containing 267 spaces is also included for the south side of the existing Creese Student Center. The University bears no cost of the Chestnut Square project. At the end of the lease (40-70 years), the asset reverts to the University.

On August 30, 2013, the University entered into a land purchase agreement with 3175 JFK Associates, LP and L-A 31, LP, both affiliates of ACC, whereby ACC contributed land, air rights and a subsurface parcel it owned contiguous to Drexel's campus (i.e. 3175 JFK Boulevard) to the University as a gift, without any purchase consideration, but retained the ownership of the "University Crossings" building and improvements erected on this land. The University Crossings property consists of 1.15 acres of land and a 17-story, 452,483 square foot building with 261 units and a total bed capacity of 1,016. As a condition of the land purchase agreement, Drexel and ACC also entered into a ground lease agreement whereby Drexel leased the land back to ACC for no consideration other than reimbursement of property tax that Drexel would be required to pay as the landowner. The term of the lease is forty years with an option to renew for three consecutive ten-year terms. Payments to the University from ACC are recorded as a cost recovery of property taxes. Within five years from the effective date, ACC is required to complete no less than $22,327,000 in capital improvements. The University's financial statements include a ground lease liability for the sub-parcel and air rights at June 30, 2022, and 2021 of $9,350,000 and $9,650,000, respectively. The University recognized $300,000 of ground lease income related to this agreement during fiscal years 2022 and 2021.

The University entered into ground lease agreement with ACC OP (Lancaster PA), LLC ("ACC Lancaster"), an affiliate of ACC, on August 30, 2013 for property located at 3400 Lancaster Avenue to undertake "The Summit" project on the University's campus. The Summit project features a tiered eight story and five story mid-and low-rise building along Lancaster Avenue which includes 19,120 square feet of ground floor retail that faces Lancaster Avenue and 34th Street, a 23-story residential tower that sits on a one-story student amenity plinth and a one-story dining venue. The initial term of the lease is forty years, with an option to renew for three consecutive ten-year terms. In consideration for the right to develop, own, and operate The Summit, ACC pays the University annual ground rent of $725,000.

In tandem with the execution of the ground lease agreement, the University entered into a sublease agreement with ACC Lancaster, for the dining facility at The Summit property at 3400 Lancaster Avenue. The sublease calls for annual rent payments of $741,395 for the first thirty years of the sublease. The sublease is, in all respects, subject to and subordinate to the ground lease between the University and ACC established on August 30, 2013, to develop the 3400 Lancaster Avenue property. The term of the sublease follows the term of the ground lease, commencing September 2015. The initial term is 40 years with three, ten-year renewal options. At the expiration or sooner termination of the ground lease, title shall vest with the University and belong exclusively to the University without any interest on the part of ACC. The sublease provides a rent prepayment option, which allows the full 30 years of rent for the dining facility to be satisfied with an upfront payment of $9,200,000. The University executed the option in September 2015. The amount is capitalized and amortized over the term of the lease.

In June 2014, the University entered into ground lease agreements with Wexford 3750 Lancaster Avenue, LLC, Wexford 115 North 38th Street, LLC, Wexford 225 North 38th Street, LLC, and Wexford 3701 Filbert Street, LLC (all to be referred to as "Wexford") for property located at 3601 Filbert Street. Wexford has prepaid the University $17,616,000, the full amount of the lease. The prepayment has been recorded as deferred rental income and will be amortized over the 99-year term of the lease. In addition, Drexel is obligated to fund an amount not to exceed $13,200,000 for the development of the property.

On December 17, 2014, the University entered into a ground lease agreement with Study Philadelphia Holding, LLC ("SPHLLC") to build an upscale hotel, "The Study", on University property located at 3301 Chestnut Street and 20-40 South 33rd Street. The hotel features a ground floor restaurant and retail space, a conference center, approximately 212 hotel rooms, and accessory hotel amenities, with a main entrance on 33rd Street. The hotel includes a ten-story building, totaling 145,000 square feet of space. The base term of the lease is fifty years with two, ten-year renewal options. The annual rent commencement date is December 17, 2016 i.e. twenty-four months from the date of the lease. Upon the expiration of the lease, the leased premises will become the property of the University. The University recognized $154,000 of ground lease income related to this agreement during fiscal years 2022 and 2021.

On October 2, 2015, the University entered into a ground lease agreement with RPG 32 Race, LP ("RPG") for University property located at 3201 Race Street. RPG intends to lease the property and develop a 178,00-square foot multi-storied, mixed-use facility, consisting of 164 "Class A" rental apartment units, 13,800 square foot childcare center, ancillary amenities and improvements including a café and rooftop sundeck, 27 on-site parking spaces, accommodation for customer curbside drop-off for use in connection with the childcare center. Nobel Learning Communities, Inc. is the approved childcare operator. The annual rent commencement date is September 13, 2018 defined as twelve months following the substantial completion of the project. The initial term of the lease is seventy-five years with the option to extend the lease for one additional term of twenty-four years. The University recognized ground lease income of $215,000 related to this agreement during fiscal years 2022 and 2021.

Schuylkill Yards

On May 9, 2016, the University entered into a master development agreement (the "Development Agreement") with Brandywine Realty Trust ("BRT"), the sole general partner of Brandywine Operating Partnership, LP. As the master developer, BRT is provided certain rights and obligations, for a multi-phase, multi-component development on approximately 10.11 acres of the University owned land (the "Drexel Site") adjacent to the University's main campus in the University City section of Philadelphia. The project's master planned area includes the Drexel Site and up to four additional adjacent acres owned separately by the University and BRT, to be branded as "Schuylkill Yards."

Schuylkill Yards is contemplated to be developed in six phases over approximately 20 years, excluding extension options, and will consist of approximately 5.0 million square feet of floor area ratio (FAR) of commercial, office, educational, research, residential, and related facilities, as well as accessory green space uses. Approximately 50% of the total FAR value will consist of office, educational and research space, and the balance in residential, retail, hospitality and parking use.

BRT intends to fund costs to develop each phase of Schuylkill Yards through a combination of cash on hand, capital raised through one or more joint venture formations, proceeds from the sale of other assets or debt financing, including project-specific leasehold mortgage financing. Terms of the Development Agreement were determined through arm's-length negotiation between the University and BRT.

On October 13, 2017, the University completed the initial conveyance for the Schuylkill Yards project involving the transfer of 3001 and 3025 Market Street to BRT. The total fair value of these properties included in the endowment was $52,000,000. BRT commenced the construction of a large public realm area on the 3001 Market Street parking lot with completion in the second quarter of fiscal year 2019. The surface rights for 3001 Market Street were conveyed through a ground lease in consideration for $100, as the University agreed to provide the land for a park to define and significantly enhance the value of the entire project. The 3025 Market Street parcel was conveyed through a 99-year prepaid ground lease combined with the conveyance of the vertical improvements and the subterranean rights of 3001 Market Street for $35,000,000 resulting in a loss of $17,000,000. The proceeds from both parcels were invested in the University's endowment portfolio replacing the real estate values for the 3001 and 3025 Market Street parcels. In addition to the conveyance transactions BRT provided $370,000 for access to the property management staff at Academic Proprieties Inc., a Drexel subsidiary, to assist with the repositioning and re-tenanting of the 3025 Market Street property.

On March 22, 2018, the University completed the conveyance of the second parcel for the Schuylkill Yards project, 3001-3003 John F. Kennedy Boulevard to BRT. The 3001-3003 John F. Kennedy Boulevard parcel was conveyed through a 99-year prepaid ground lease for $24,640,000 resulting in a gain of $16,440,000.

On June 29, 2018, the University completed the conveyance of the third parcel for the Schuylkill Yards project, 3025 John F. Kennedy Boulevard to BRT. The 3025 John F. Kennedy Boulevard parcel was conveyed through a 99-year prepaid ground lease for $20,545,000 resulting in a gain of $13,945,000. The actual proceeds were received on July 2, 2018.

On April 22, 2022, the University completed the fourth conveyance for the Schuylkill Yards project, 3151 Market Street and the 3101R parking garage. The combined parcel was conveyed through a 99-year prepaid ground lease for $27,349,000 resulting in a gain of $18,649,000.

10. Retirement Plans

Defined Benefit and Defined Contribution Plans

The University established the Drexel University Defined Contribution Retirement Plan ("DU DC") effective April 1, 1972. Drexel University is the DU DC administrator. Until November 30, 2021, the trustees of the DU DC were Teachers Insurance and Annuity Association - College Retirement Equities Fund, as agent for JP Morgan Chase Bank, N.A. ("TIAA-CREF"), Vanguard Fiduciary Trust Company ("Vanguard") and Fidelity Management Trust Company ("Fidelity").

Effective December 1, 2021, the Drexel University Defined Contribution Retirement Plan has been administered by TIAA-CREF as the single record keeper, trustee, and custodian. The University contribution rates, eligibility and vesting requirements remained the same.

The DU DC is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Institution's Investment Committee determines the appropriateness of the plan's investment offerings, monitors investment performance, and reports to the Institution's Board, who is responsible for the oversight of the Plan.

All eligible employees, defined as a full-time staff or faculty member, or a part-time employee who earns 1,000 hours of service or more during the 12-consecutive calendar month period beginning with his or her date of hire, can contribute their own deferrals on a pre-tax basis. Effective, January 1, 2015, all full-time faculty and professional staff who do not enroll in the DU DC within 31 days of their date of hire will be automatically enrolled at a rate of two percent (2%) to the default vendor, TIAA-CREF, with the next available payroll. Contribution changes, including stopping participation can be done at any time. Provided that an eligible employee contributes at least one percent (1%) of compensation, the University contributes a "Basic Contribution" to the DU DC equal to three percent (3%) for an eligible employee under the age of 50, and five percent (5%) for those 50 or older. The University contributes matching contributions to DU DC that are equal to one hundred percent (100%) of an eligible employee's contributions up to six percent (6%). All basic and matching contributions are subject to certain Internal Revenue Code limitations.

On July 1, 2020, in response to the disruption in operations caused by the COVID-19 pandemic, management suspended all University provided matching contributions for the DU DC Plan. The contributions were reinstated July 1, 2021.

During 2021, the DU DC Plan determined that operational failures related to prior years existed as of June 30, 2021 and 2022. The Plan is in the process of correcting those operational failures in accordance with the relevant Internal Revenue Service Revenue Procedure(s), and a corresponding liability has been recognized in the Consolidated Statements of Financial Position in the Accrued liabilities financial statement line item.

Effective September 1, 2021 the Academic Properties, Inc. Tax Deferred Annuity Plan was merged into DU DC.

The University also sponsors a deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code of 1986 (IRC). Benefits are payable under the plan equal to the fair value of the underlying investments. Benefits payable under the plan are reported in accrued liabilities with the offsetting fair value of the related assets included in other assets in the Consolidated Statements of Financial Position. The amount reflected in accrued liabilities and other assets was $13,202,000 as of June 30, 2022.

The University participates in a contributory retirement plan as well 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 $39,125,000 and $17,002,000 in 2022 and 2021, respectively.

ANS also maintains a defined benefit pension plan. This plan was frozen by the ANS Board of Trustees effective December 31, 2009, prior to the affiliation agreement with Drexel University on September 30, 2011.

The assumptions for the pension liabilities, the accumulated benefit obligation, change in projected benefit obligation, and change in plan assets are as follows:

(in thousands)		**2022**		**2021**
Weighted average assumptions as of June 30				
Discount rate		4.90 %		3.00 %
Expected return on plan assets		6.00 %		5.75 %
Accumulated benefit obligation				
Accumulated benefit obligation at June 30	$	17,385	$	21,195
Change projected in benefit obligation				
Net benefit obligation at June 30	$	21,195	$	21,966
Service costs		270		265
Interest costs		618		620
Actuarial gain		(3,402)		(366)
Gross benefits paid		(1,296)		(1,290)
Net benefit obligation at June 30	$	17,385	$	21,195

(in thousands)		**2022**		**2021**
Change in plan assets				
Fair value of plan assets, at beginning of year	$	15,053	$	11,574
Actual return on plan assets		(1,718)		2,990
Employer contributions		1,340		1,779
Gross benefits paid		(1,296)		(1,290)
Fair value of plan assets, at June 30	$	13,379	$	15,053
Fair value of plan assets, at June 30	$	13,379	$	15,053
Benefit obligation		17,385		21,195
Net amount recognized, at June 30*	$	(4,006)	$	(6,142)

* These amounts are recognized in the financial statements including the Consolidated Statements of Financial Position in the "Accrued retirement obligations" financial statement line item.

The components of net periodic benefit cost are noted below:

(in thousands)	**2022**	**2021**
Weighted average assumptions used to determine net periodic benefit costs		
Discount rate	3.00 %	2.90 %
Expected return on plan assets	5.75 %	5.75 %
Components of net periodic benefit costs		
Service costs	$ 270	$ 265
Interest costs	618	620
Expected return on assets	(875)	(690)
Amortization of actuarial gain	(808)	(2,666)
Net periodic benefit cost	$ (795)	$ (2,471)

As of June 30, 2022, and 2021, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligations were $17,385,000 and $21,195,000 at June 30, 2022 and 2021, respectively. The fair value of the plan assets was $13,380,000 and $15,053,000 as of June 30, 2022 and 2021, respectively.

Information about the expected cash flows for the pension plan is as follows:

Expected benefit payments *(in thousands)*	
June 30,	
2023	1,250
2024	1,339
2025	1,365
2026	1,380
2027	1,367
2028-2032	6,370

Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2022 and 2021 by asset category are as follows:

	2022	2021
Asset category		
Equity securities	45.0 %	50.4 %
Fixed income securities	36.1 %	33.0 %
Hedge fund and alternative investments	8.0 %	15.2 %
Cash	10.9 %	1.4 %
	100.0 %	100.0 %

The ANS investment policy and strategy is to shift investments to the target allocation to control the volatility of investment returns for the portfolio. As the investment horizon is expected to be long-term, the portfolio needs to provide long-term capital growth while also being protected from incurring major losses due to the poor performance of one sector of the market and must be invested to reduce the overall investment risk and volatility of investment returns.

The target composition of the plans assets is characterized as a 34%, 37%, 27%, and 2% allocation between equity, fixed income investments, alternative investments, and cash. The strategy currently utilizes indexed equity funds and fixed income funds, and several alternative investment vehicles. The alternative investments are allocated among various classes, including but not limited to equities, hedge funds, fixed income, natural resources, and real estate. The strategy allows to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

The following tables present the plan assets at fair value as of June 30, 2022, and 2021 according to the valuation hierarchy (Note 6):

	2022				
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets, at fair value					
Cash equivalents	$ 1,463	$ -	$ -	$ -	$ 1,463
Mutual funds	10,843	-	-	-	10,843
Alternative investments	-	-	-	1,073	1,073
	$ 12,306	$ -	$ -	$ 1,073	$ 13,379

	2021				
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets, at fair value					
Cash equivalents	$ 209	$ -	$ -	$ -	$ 209
Mutual funds	12,550	-	-	-	12,550
Alternative investments	-	-	-	2,294	2,294
	$ 12,759	$ -	$ -	$ 2,294	$ 15,053

11. Other Post-Retirement Benefits

In addition to retirement plan benefits, the University also provides post-retirement benefits to retirees in the form of group life insurance, major medical insurance and tuition remission. All eligible faculty and professional staff members who have completed ten (10) years of full-time consecutive service with the University and are age 55 or older, if hired before September 1, 2013, or who have completed fifteen years of full-time consecutive service with the University and are age 60 or older if hired on or after September 1, 2013, excluding any professional staff member who is affiliated with a collective bargaining unit. Full-time consecutive service (10 or 15 years) is strictly services with Drexel University and does not include any subsidiaries.

The University shares the cost of coverage for medical plan options under this Plan with eligible retirees who retired prior to July 1, 2017. Retirees must pay the difference between the monthly cost for the health plan in which they are enrolled and the University's retiree allowance. For eligible retirees who retired from employment prior to September 1, 2014, the retiree allowance is $400 per month for an eligible retiree and up to an additional $400 per month for his or her spouse or same-sex domestic partner. For eligible retirees who retire from employment on or after September 1, 2014 but before July 1, 2017, the retiree allowance is $300 per month for an eligible retiree and up to an additional $300 per month for his or her spouse or same-sex domestic partner. The University reserves the right to change the level of the retiree allowance at any time. For eligible retirees who retire from employment after July 1, 2017, there is no retiree allowance and eligible retirees must pay the entire cost of medical coverage under this Plan. The retirees have a choice of various providers. The post-retirement health care plan is contributory, and the life insurance plan is noncontributory.

The net periodic post-retirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to ($2,915,000) and ($915,000) respectively, for the years ended 2022 and 2021 and are reflected in the Consolidated Statements of Activities and included in Accrued retirement obligations in the Consolidated Statements of Financial Position.

The following tables provide information with respect to the other post-retirement plans for the years ended June 30:

Plans Funded Status

(in thousands)	2022	2021
Change in benefit obligation		
Benefit obligation, beginning of year	$ 29,612	$ 33,879
Service cost	55	286
Interest cost	701	818
Actuarial gain	(3,701)	(1,518)
Plan participant contributions	527	764
Actual benefits paid	(3,749)	(4,617)
Benefit obligation, end of year	23,445	29,612
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	3,222	3,853
Plan participant contributions	527	764
Actual benefits paid	(3,749)	(4,617)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan*	$ 23,445	$ 29,612

* These amounts are recognized in the financial statements including the Consolidated Statements of Financial Position in the Accrued retirement obligations financial statement line item.

Weighted average assumptions to determine benefit obligations and net cost as of June 30		
Discount rate - benefit obligations	4.79%	2.49%
Discount rate - benefit cost	2.49%	2.51%
Ultimate retiree health care cost trend	4.50%	4.50%
Year ultimate trend rate is achieved	2028	2028

For measurement purposes, a 6.50% and an 6.25% annual rate of increase in the per capita cost of covered health care benefits for those over 65 and under 65, respectively, was assumed for 2022 grading down to ultimate rates of 4.5% in the year 2028 and thereafter.

Net Periodic Benefit Cost

(in thousands)		**2022**		**2021**
Components of net periodic benefit cost				
Service cost	$	55	$	286
Interest cost		701		818
Amortization of:				
Prior service credit		(1,536)		(1,536)
Net loss		750		933
Net periodic benefit cost	$	(30)	$	501
Other changes recognized in net assets without restrictions				
Net actuarial gain	$	(3,701)	$	(1,518)
Amortization of:				
Prior service cost		1,536		1,536
Net loss		(750)		(933)
Total recognized in net assets without restrictions	$	(2,915)	$	(915)
Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions				
Prior service credit	$	(13,640)	$	(15,175)
Actuarial loss		8,121		12,571
Amounts in unrestricted net assets, end of year	$	(5,519)	$	(2,604)
Amounts in net assets without restrictions expected to be recognized in net periodic benefit cost				
Prior service credit	$	(1,536)		
Actuarial loss	$	456		

For the fiscal years ended June 30, 2022 and 2021, the effect of a 1% change in the health care cost trend rate is as follows:

	2022		2021	
(in thousands)	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	$ 10	$ (9)	$ 49	$ (43)
Effect on postretirement benefit obligation	89	(93)	121	(126)

Contributions
Expected contributions for the 2022 fiscal year are $2,600,000.

Estimated future benefit payments
The following benefit payments (net of retiree contributions), which reflect the effects of the Medicare Act and expected future service, as appropriate, are expected to be paid in:

(in thousands)	
June 30,	
2023	2,600
2024	2,553
2025	2,426
2026	2,297
2027	2,177
Thereafter	9,093

12. Bonds and Notes Payable

Bonds and notes payable at June 30, 2022 and 2021 are as follows:

(in thousands)	Project	Final Maturity	Effective Interest Rate at June 30, 2022	2022	2021
Fixed rate debt obligations					
Drexel University					
Pennsylvania Higher Education Facilities Authority (PHEFA)					
Series A of 2011	Capital improvements and equipment	2012-2041	2.00-5.25%	-	235
Series of 2012	Refunding	2013-2032	1.00-5.00%	-	385
Series of 2016	Refunding	2022-2037	2.00-5.00%	117,120	117,130
Series of 2017	Refunding	2018-2041	4.00-5.00%	101,290	108,405
Series of 2020A	Refunding and capital improvements	2021-2050	4.00-5.00%	132,260	133,645
Series of 2020B (Federally Taxable)	Refunding	2021-2041	1.10-3.27%	16,890	17,370
Drexel University Taxable Bonds					
Series of 2020	Reimbursement of acquisition cost of St. Christopher's Hospital for Children	2042-2050	3.22%	104,100	104,100
Powel Elementary School and Science Leadership Academy Middle School (“Powel/SLA-MS”)					
PNC Bank	New Market Tax Credit Program	2049	1.00%	1,994	1,994
PNC Bank	New Market Tax Credit Program	2049	1.00%	1,006	1,006
Philadelphia Industrial Development Corporation	New Market Tax Credit Program	2049	1.00%	6,646	6,646
Philadelphia Industrial Development Corporation	New Market Tax Credit Program	2049	1.00%	3,054	3,054
Building America	New Market Tax Credit Program	2049	1.00%	5,981	5,981
Building America	New Market Tax Credit Program	2049	1.00%	2,749	2,749
New Markets Investments	New Market Tax Credit Program	2049	1.00%	6,720	6,720
Total outstanding bonds and notes payable				499,810	509,420
Unamortized original issue premiums/discounts and cost of issuance, net				46,838	49,337
Total bonds and notes payable				$ 546,648	$ 558,757

The documents pursuant to which the Pennsylvania Higher Educational Facilities Authority ("PHEFA") Revenue Bonds are issued contain restrictive financial covenants which, among other things, require the University to fix, charge and collect tuition, rates, fees and other charges which will provide net revenues, together with other funds of the University available to pay debt service on such Revenue Bonds, in each fiscal year in an amount at least equal to the debt service requirements on such Revenue Bonds and other long-term indebtedness in such fiscal year. An event of default under the Revenue Bonds will only occur if the University fails to meet the foregoing covenant for two consecutive fiscal years and fails to comply with recommendations provided by a consultant, and so long as the University does not fail to pay debt service when due on the Revenue Bonds. The University was in compliance with these financial covenants at June 30, 2022 and 2021.

In July 2020, the University issued Drexel University Taxable Bonds, Series of 2020 in the amount of $104,100,000. The primary purpose to reimburse itself for cost related to the acquisition of an interest in the St. Christopher's Hospital for Children for use in connection with its academic medical education program in pediatric medicine and to pay costs of issuance and for any other purposes duly authorized by the University. The bonds will be maturing between 2042 through 2050.

In August 2020, the University issued Pennsylvania Higher Educational Facilities Authority, Drexel University Revenue Bonds Series of 2020A and Series of 2020B (Federally Taxable) in the amount of $152,495,000. The primary purpose of this issue was the current refunding of all of the outstanding Series of 2000-2, 2002B, 2005B, 2007B and the advance refunding of portion of the Series of 2011A and Series of 2012 bonds. The Series of 2020A bonds will be maturing between May 1, 2021 through May 1, 2050 and the Series of 2020B bonds will be maturing between May 1, 2021 through May 1, 2041.

Debt maturities for the fiscal years ending are as follows:

(in thousands)	**Total Debt**
2023	9,555
2024	9,935
2025	10,415
2026	10,915
2027	12,800
Thereafter	446,190
	$ 499,810
Cost of issuance	(9,155)
Unamortized premiums	55,993
	546,648

Lines of Credit

The University has 50% Secured Revolving Credit Facilities (“Facilities”) of $55,000,000 and $15,000,000 that matures on April 30, 2024, and accrues interest based on Intercontinental Exchange Benchmark Administration “ICE” (subject to a floor of 0.75% on the $55,000,000). At December 1, 2022 the interest will accrue based upon Term SOFA (subject to a floor of 0.75%) plus the applicable margin. It can be extended annually based upon the agreement of the University and the bank maintaining the Facilities. At June 30, 2022 and 2021, there were no amounts outstanding.

The University renewed a $30,000,000 50% Secured line of credit to provide support and working capital for a joint venture. The line of credit matures on April 30, 2024. Interest accrues based upon 30-day LIBOR (subject to a floor of 0.75%) plus 60 basis points. At December 1, 2022 the interest will accrue based upon Term SOFA (subject to a floor of 0.75%) plus the applicable margin. At June 30, 2022 and 2021, there were no amounts outstanding.

The University renewed a $25,000,000 50% Secured Revolving line of credit to provide working capital. The line of credit matures in one year and can be renewed. Interest accrues based upon SOFR. At June 30, 2022 and 2021, there were no amounts outstanding.

The University renewed another $25,000,000 50% Secured Revolving line of credit in November 2021 to provide working capital. The line of credit matures in one year and can be renewed. Interest accrues based upon SOFR plus 0.10 percent. At June 30, 2022 and 2021, there were no amounts outstanding.

13. Net Assets

Net assets included the following:

(in thousands)	2022	2021
Without donor restrictions:		
Operating	$ (474,211)	$ (442,668)
Physical plant	742,952	732,456
Quasi-endowment funds	304,755	313,699
Total net assets without donor restrictions	573,496	603,487
With donor restrictions:		
Temporarily Restricted		
Funds for programs and capital expenditures	138,848	125,871
Funds for endowments	220,530	248,197
Life income annuities	1,842	1,985
Beneficial interests in trusts	4,935	5,040
Permanently Restricted		
Funds for endowments	408,965	402,540
Life income annuities	2,803	3,028
Beneficial interests in trusts	34,509	42,254
Student loans and others	8,286	8,091
Total net assets with donor restrictions	820,718	837,006
Total net assets	$ 1,394,214	$ 1,440,493

14. Revenue Recognition

The University adopted *Revenue from Contracts with Customers (Topic 606)* effective July 1, 2018 using the retrospective transition method. The University assessed the various contractual arrangements for material revenue streams, the impact to internal processes, the control environment, and disclosures, and determined that the adoption would not result in a material change to the timing of revenue recognition. For all revenue streams, the impact of the adoption was immaterial and the impact of applying the standard retrospectively had no impact on total revenues or total changes in net assets.

In assessing collectability, the University elects the portfolio approach as a practical expedient to combine customers with similar characteristics. The University determines that the effect of applying a portfolio approach to a group of contracts will not differ materially from considering each contract separately.

For the University's revenue streams, the performance obligations are within contracts with durations of one year or less. Therefore, the optional exemption to not disclose remaining performance obligations was applied.

Tuition and fees, room and board

Tuition and related fees are recognized as revenue over time during the academic period in which the related academic services are rendered. The University records tuition revenue at the standalone selling price, which most often reflects the published rates, less price concessions related to institutional financial discounts provided by the University. Payment is due in full by the student before the commencement of the semester or term.

As the performance obligations are met (i.e. classes are instructed), revenue is recognized ratably based upon the allocated transaction price. Ratable recognition depicts the transfer of services as the student obtains the benefit of services throughout the semester or term.

The following table disaggregates tuition and fees, room and board revenue by major portfolios for the years ended June 30, 2022, and 2021:

(in thousands)	2022							
		Tuition and Fees		Room and Board		Institutional Financial Aid		Total
Undergraduate	$	684,948	$	43,990	$	(320,325)	$	408,613
Graduate		283,133		874		(44,747)		239,260
Tuition and fees, room and board	$	968,081	$	44,864	$	(365,072)	$	647,873

(in thousands)	2021							
		Tuition and Fees		Room and Board		Institutional Financial Aid		Total
Undergraduate	$	668,674	$	11,542	$	(307,015)	$	373,201
Graduate		285,444		292		(44,614)		241,122
Tuition and fees, room and board	$	954,118	$	11,834	$	(351,629)	$	614,323

Physician Services
Net patient care activity revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Performance obligations are met as Physician Services are administered to patients. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price.

In assessing collectability, the University elected the portfolio approach and grouped into portfolios based on services provided (practice plans). The portfolios elected consist of patients with similar characteristics in payment behavior. The following table disaggregates the Physician Services' revenue by major portfolios with similar characteristics for the years ended June 30, 2022 and 2021 respectively:

(in thousands)		2022		2021
Medicine	$	13,855	$	(131)
Nursing and Other		6,426		3,875
Psychiatry		395		250
Total physician services	$	20,676	$	3,994

Grants and Contracts

The University receives grant and contract revenue from governmental and private sources, which are considered non-exchange revenue transactions. The University generally recognizes revenue associated with the direct and the applicable indirect costs of sponsored programs as the related costs are incurred in accordance with the related cost principles outlines in the grant agreement. The University negotiates its federal indirect rate with its cognizant federal agency.

The following table disaggregates grants and contracts revenue for the years ended June 30, 2022, and 2021:

(in thousands)	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Government grants and contracts:			
Federal	120,809	1,208	122,017
State	1,559	2,244	3,803
Local	1,319	77	1,396
Private grants and contracts	6,641	13,711	20,352
Total grants and contracts	130,328	17,240	147,568

(in thousands)	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Government grants and contracts:			
Federal	147,373	871	148,244
State	2,831	6,264	9,095
Local	1,380	174	1,554
Private grants and contracts	8,304	13,522	21,826
Total grants and contracts	159,888	20,831	180,719

As of June 30, 2022, and 2021, the University has outstanding unrecorded conditional grants receivable of $194,245,000 and $170,194,000, respectively. Revenue for these conditional grants will be recognized in future periods when the related barriers are overcome when the conditions have been substantially met.

15. Functional and Natural Classification of Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation and interest expenses are 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 reported as auxiliary enterprises, library, and student services are incurred in support of program services.

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

(in thousands)	2022			
	Program Services	**Management and General**	**Fundraising**	**Total**
Salaries and wages	$ 370,229	$ 58,890	$ 10,742	$ 439,861
Employee benefits	93,818	14,895	2,731	111,444
Depreciation and amortization	49,689	3,901	15	53,605
Interest	16,902	1,428	-	18,330
Other operating expenses	284,836	50,675	4,394	339,905
Total expenses	$ 815,474	$ 129,789	$ 17,882	$ 963,145

Expenses by functional classification for the year ended June 30, 2021 consist of the following:

(in thousands)	2021			
	Program Services	**Management and General**	**Fundraising**	**Total**
Salaries and wages	$ 358,756	$ 52,391	$ 10,157	$ 421,304
Employee benefits	68,887	9,892	2,012	80,791
Depreciation and amortization	49,799	4,251	15	54,065
Interest	16,079	2,253	-	18,332
Other operating expenses	194,274	109,959	2,606	306,839
Total expenses	$ 687,795	$ 178,746	$ 14,790	$ 881,331

16. Professional Liability Insurance

Starting July 1, 2014, Drexel established a Self-Insurance Trust ("SIT") to provide primary coverage for known claims medical professional liability coverage. The SIT provides primary coverage of $500,000 for physicians and midwives and up to $1,000,000 for other health professions and entity coverage. 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, Drexel self-insures a layer of excess of up to $2,000,000 above the Mcare Fund.

The Dragon Risk Limited, Co. provides excess coverage above the self-insured layer of an additional $17,000,000.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2022 and 2021, the University and its subsidiaries recorded gross combined reserves of $30,627,000 and $35,648,000, respectively and related recoveries from third party insurers of $8,628,000 and $9,721,000, respectively. For fiscal years 2022 and 2021, the reserves were discounted at 2% for the layers retained by the University and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2022 and 2021 Consolidated Statements of Financial Position. Under the self-insurance program, the University is required by the Commonwealth of Pennsylvania to maintain a malpractice trust fund. At June 30, 2022 and 2021, self-insurance escrow funds and malpractice insurance trust consisting of mutual funds and fixed income securities amounted to $47,353,000 and $54,164,000, respectively, were available to fund incurred but not reported liabilities.

17. 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 activities or cash flow.

The University believes it 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

There was a litigation between SodexoMAGIC and the University in relation to the former food services agreement, which settled in June 2022. There was also a litigation between Capital Health System and the University in relation to Global Neurosciences Institute, which settled in August 2022. There is a pending litigation between United Educators' Insurance and the University for breach of contract in relation to the general liability coverage for medical professionals. There is also a pending litigation between various patients of a former employee and the University in relation to sexual assault and medical malpractice. As of June 30, 2022, the university has accrued for these pending litigation claims based on current information and advice from external counsel, and the amount is included in accrued liabilities in the Statements of Financial Position.

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 the University, 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

The University 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 and is renewed annually. There were no amounts outstanding as of June 30, 2022 and 2021.

The University maintains three letters of credit totaling $1,716,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2022 and 2021.

The University also maintains a letter of credit in an amount not to exceed $287,253 as required by the U.S. Department of Education in connection with Federal student loans. It will expire on May 1, 2023 and is automatically renewed annually unless notified by the University of an election not to renew. There was no amount outstanding as of June 30, 2022 and 2021.

Business Income Taxes
As referenced in Note 1 - Income Taxes, the University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The University and its non-profit affiliates are not subject to taxation for activities and income related to its exempt purpose. Unrelated business income (UBI) is defined by the Internal Revenue Service (IRS) as income generated in a trade or business that is regularly carried on and is not substantially related to further the exempt purpose of the organization. The University is subject to federal UBI tax related to the net income generated from consulting, conference services and investment income held in the endowment fund for which the investment manager has reported unrelated business income on an IRS Schedule K-1 for which it files an IRS Form 990-T, *Exempt Organization Business Tax Return*, annually. The University makes quarterly estimated tax payments to the IRS and submits any additional tax payment with the final submission of its return in the subsequent fiscal year.

The University is also subject to the City of Philadelphia Business Income and Receipts Tax. The University files an annual Business Income and Receipts Tax return and submits estimated tax payments for the subsequent fiscal year at the time of filing its return to the City of Philadelphia.

The Tax Cuts and Jobs Act (the "Act") enacted on December 22, 2017, impacted the University in several ways, including new excise taxes on executive compensation and net investment income, increases to unrelated business taxable income (UBTI) by the amount of certain fringe benefits for which a deduction is not allowed, changes to the net operating loss rules, repeal of the alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act reduced the US federal corporate tax rate and federal corporate unrelated business income tax rate from 35% to 21%.

For the fiscal years ended June 30, 2022 and 2021, the University recorded $125,000 and ($125,000) as income tax expenses and assigned a functional expense category of institutional support for these expenditures.

18. Related Party Transactions

Tower Health

On December 31, 2018, Tower Health ("Tower") and Drexel University signed a 20-year academic affiliation agreement that allows the University to use Tower Health's Reading Hospital campus in Berks County, Pennsylvania as another location for the College of Medicine's four-year undergraduate medical education program located in Philadelphia PA. The agreement calls for Tower to provide free of charge up to 20 rotation slots for each of the 3rd and 4th year classes annually for the Philadelphia based medical students at Tower sites. Rotations over 20 per class year incur a charge to the University. The agreement also calls for the opening of a state of the art 120,000 sf facility in West Reading PA that trains at least 40 additional Drexel University medical students per year starting in July 2021. In August 2019, Tower entered into a 25-year lease with Equus Capital Partners for the building that included the 120,000-sf medical school facility. In addition, Tower and Drexel University entered into a Medical Building Access and Occupancy Agreement that run concurrently with the building lease. The new medical school has shared governance through a Joint Operating Committee with members from Tower and Drexel University. All revenues and expenses for the new medical school are shared evenly between Tower and Drexel University. The academic affiliation agreement allows the Drexel University's College of Medicine to create and maintain high quality medical education and academic programs in an appropriate learning environment and serve the community through the delivery of high quality and cost-effective health care services at Tower Health facilities.

St. Christopher's Hospital for Children Acquisition

On December 15, 2019, the University acquired an undivided 50% interest in St. Christopher's Hospital for Children and certain pediatric medicine physician practices ("St. Christopher's") from the bankruptcy estate of the American Academic Health System ("AAHS") in a joint venture with Tower Health. As of June 30, 2022 and 2021, the University has recorded the value of its interest in a partnership for St. Christopher's Hospital of ($28.6 million) and ($23.9 million), respectively, within investments (Note 5). Drexel's share of the operating losses of ($4.7 million) and ($57.3 million) have been reflected within realized and unrealized gains/(losses) on investments as of June 30, 2022 and 2021, respectively.

In addition to the purchase, Drexel University and Tower Health each provided a $85.0 million working capital line of credit to support the joint venture. Tower Health oversees the operations of the hospital with Drexel overseeing medical education and research at St. Christopher's. The acquisition of St. Christopher's ensured the continued operation of the hospital and an essential academic medical education training site for Drexel's College of Medicine and Drexel's health science professions.

As of June 30, 2022 and 2021, the University recorded a receivable for the outstanding line of credit balance of $70.5 million from St. Christopher's Hospital within prepaid and other assets. While St. Christopher's Hospital has plans to return to profitability, due primarily to the current operating losses and uncertainty resulting from COVID-19, the University established a $35.3 million reserve against the $70.5 million outstanding balance on the line of credit supporting the St. Christopher's Children Hospital's operations.

As part of the acquisition of St. Christopher's and the subsequent lease by the joint venture of the real estate from ISSTC PROPCO, LLC, Drexel University and Tower Health guaranteed the lease for the joint venture. In addition to the lease guarantee, Drexel and Tower also provided three joint and several guarantees that were each required to provide to induce (i) Tenet Business Services Corporation ("TBS"), (ii) Conifer Revenue Cycle Management Solutions, LLC ("Conifer"), and (iii) Tenet Health System St. Christopher's Hospital for Children LLC ("THSC"), each an affiliate of Tenet, to enter into new agreements with the joint venture deemed to be critical for the operation of the St. Christopher's. By providing the joint and several guarantees of Drexel and Tower, the joint venture was able to reject the existing agreements that the Debtor had with TBS, Conifer and THSC in the bankruptcy sale order, thereby avoiding the obligation to pay cure payments due and owing by Debtor to those companies if the joint venture had assumed the Debtor's agreements, and instead enter into new agreements with significantly better terms and conditions.

In June of 2021, Drexel University provided St. Christopher's with a $150,000 mission support grant. The grant will be distributed in three equal installments on June 30, 2021, June 30, 2022, and June 30, 2023. The purpose of the grant is to support St. Christopher's leadership retention program. A second $150,000 mission support grant was provided by Drexel in June of 2022. The grant will be distributed in three equal installments on June 30, 2022, June 30, 2023 and June 30, 2024. The purpose of the grant was to further support St. Christopher's leadership retention program. In addition to the mission support grants, the University also provides a housing benefit for St. Christopher's chief executive officer.

As of June 30, 2022, the University, acting as an agent for St. Christopher's Hospital, has outstanding conditional pass-through pledges of $10.0 million. As of June 30, 2022, the University has accrued a liability of $0 payable to St. Christopher's Hospital.

Powel Elementary and Science Leadership Academy Middle School Project
On May 8, 2019, the Board of Trustees approved a Resolution authorizing the University to undertake the design and construction of a combined K-8 Powel Elementary School and Science Leadership Academy Middle School ("Powel/SLA-MS") on the northern portion of 60 N. 36th Street in Philadelphia, Pennsylvania, which is a portion of the tract of land that formerly housed University City High School. To fund a portion of the Project costs, the University utilized the New Market Tax Credits ("NMTCs"). The Project qualified for the NMTC program because the Property is in a "highly distressed" low income community. The University was allocated $29,000,000 of NMTCs from four separate Community Development Entities. Upon completion, the University will lease the building to the School District of Philadelphia ("SDP") for nominal annual rent. SDP will be responsible for all operating and maintenance costs. The University special purpose entity Drexel University City, Inc. ("DUC"), serves as the leveraged loan lender for the NMTC transaction.

Wexford Science and Technology, LLC was engaged to serve as the fee developer for the construction of Powel/SLA-MS. Wexford Science and Technology, LLC initially contributed $4,850,000 toward the project and subsequently agreed to provide an additional $4,000,000 to further support the project.

Substantial Completion occurred on December 18, 2020. The School District of Philadelphia's lease commenced on January 4, 2021.

Health Sciences Building (formerly known as the Drexel Academic Tower)
On May 8, 2019, the Board of Trustees approved a resolution authorizing the University to develop a new Academic Tower to house the College of Nursing and Health Professions, relocating the college from Center City to University City. Subsequently, the University executed an option to expand the Academic Tower to also include the Drexel College of Medicine. The Academic Tower will be developed by Wexford Development, LLC on the southern portion of 60 N. 36th Street, Philadelphia, Pennsylvania which is a portion of the tract of land that formerly housed University City High School. The building size is expected to be approximately 459,000 square feet. The building development will be aided by a number of financial mechanisms that include a prepaid ground lease between the University and uCity Academic Owner, LLC, and a sale by the University to Wexford Science and Technology, LLC of 142,857 square feet of air rights above the premises of Lot 6 (the PSLAMS premises). The University entered into a 29 year and 11-month lease with uCity Academic Owner, LLC and sold the air rights on September 26, 2019. A temporary certificate of occupancy was issued on June 30, 2022. In accordance with the provisions of the lease, the Term Commencement Date is August 14, 2022 and unless the lease is terminated prior to the Term Expiration Date, the Term Expiration Date shall be July 14, 2052.

19. COVID-19

The outbreak of the COVID-19 pandemic caused domestic and global disruptions in operations for institutions of higher education. In March 2020, the University closed its campus in accordance with applicable governmental mandates and converted all instruction to online, and all employees who were able to do so began working remotely. The long-term effect to the University of the pandemic depends on various factors, including, but not limited to, the effect on student enrollment, the effect on demand for the University programs that involve travel or that have international connections, and the long-term effect on financial markets and consequently the returns on and value of the University's investments. The University continues to monitor the situation including the potential impact of the related COVID-19 variants. As of June 30, 2022 and 2021, and through the date of these financial statements no material estimates were identified.

20. Paycheck Protection Program

In 2021, the Academy received loan proceeds in the amount of $1,610,425 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of a qualifying business. The loans and accrued interest are forgivable after either eight weeks or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities, and maintains its payroll levels. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

At June 30, 2021, the Academy recorded the loan proceeds in the deferred revenue line item of the Statement of Financial Position. At June 30, 2022, the Academy's loan has been forgiven, in its entirety, by the Small Business Administration.

21. Subsequent Events

The University evaluated events subsequent from June 30, 2022 through October 28, 2022, the date at which financial statements were issued.

On July 14, 2022, the University entered into a long-term ground lease with Spark Therapeutics, a commercial gene therapy company headquartered in Philadelphia. Spark will be creating a new, state-of-the-art gene therapy innovation center on Drexel's University City campus. The seven story, 600,000-square-foot-building will be constructed on a Drexel parking lot (F Lot) next to the Main Building. The net proceeds received from the pre-paid ground lease, after related taxes was $39.7 million.

Management has determined that no other subsequent events occurred which require recognition or disclosure in the financial statements.