

Academic Properties, Inc.
Financial Statements and Supplemental Schedules
for the Fiscal Years Ended
June 30, 2021 and 2020

Academic Properties, Inc.

Index

June 30, 2021 and 2020

	Page(s)
Review Report of Independent Accountants	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10
Supplemental Schedules	
Supplemental Schedules of Revenue and Expenses by Property Category	11-13
Notes to the Supplemental Schedules of Revenue and Expense by Property Category	14



Review Report of Independent Accountants

To the Board of Trustees of Drexel University

We have reviewed the accompanying financial statements of Academic Properties, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and of cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

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

Accountants' Conclusion

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

Other Matter

Our reviews were conducted for the purpose of forming a conclusion on the financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the review procedures applied in the reviews of the financial statements, and accordingly, we do not express a conclusion or provide any assurance on them.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

October 28, 2021

Academic Properties, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets:		
Cash and cash equivalents		
Operating	\$ 6,838,499	\$ 4,603,770
Accounts receivable	93,518	69,994
Prepaid expenses and other assets	724,249	72,480
Tenants' escrow accounts	112,828	171,603
Deferred charges, net	973,862	416,672
Due from Drexel University	372,481	857,813
Operating Lease Right of Use (ROU) Asset	8,110	-
Rental property and equipment, net	18,506,025	18,853,393
Total assets	\$ 27,629,572	\$ 25,045,725
Liabilities:		
Accounts payable and accrued liabilities	\$ 332,597	\$ 216,612
Deferred revenue	1,118,740	537,293
Tenants' escrow accounts	112,828	171,603
Operating Lease Liability	8,110	-
Total liabilities	1,572,275	925,508
Net Assets:		
Without donor restrictions	26,057,297	24,120,217
Total net assets	26,057,297	24,120,217
Total liabilities and net assets	\$ 27,629,572	\$ 25,045,725

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

Academic Properties, Inc.
Statements of Activities
June 30, 2021 and 2020

	2021	2020
Operating		
Revenues:		
Rents		
Minimum lease payments	\$ 5,802,384	\$ 5,360,063
Common area expense and utilities	2,175,659	1,716,080
Interest	4,205	5,852
Management fee income - affiliate	125,020	168,632
Miscellaneous	477,942	269,514
Total revenues	8,585,210	7,520,141
Expenses:		
Salaries and wages	577,969	832,573
Employee benefits	177,760	270,444
Depreciation and amortization	896,090	781,542
Other operating expenses	3,455,311	2,999,514
Total expenses	5,107,130	4,884,073
Increase in net assets from operating activities	3,478,080	2,636,068
Non-operating		
Transfer to Drexel Endowment	(1,541,000)	(1,541,000)
Transfer to Drexel for St. Chris Hospital	-	(5,450,000)
Decrease in net assets from non-operating activities	(1,541,000)	(6,991,000)
Total increase / (decrease) in net assets	1,937,080	(4,354,932)
Net assets, beginning of year	24,120,217	28,475,149
Net assets, end of year	\$ 26,057,297	\$ 24,120,217

Academic Properties, Inc.
Statements of Cash Flows
June 30, 2021 and 2020

	2021	2020
Operating activities:		
Increase / (decrease) in net assets	\$ 1,937,080	\$ (4,354,932)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	896,090	781,542
Transfer to Drexel Endowment	1,541,000	1,541,000
Transfer to Drexel for St. Chris Hospital	-	5,450,000
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	(23,524)	290,514
Prepaid expenses and other assets	(651,769)	(24,592)
Tenants' escrow asset	58,775	17,545
Tenants' escrow liability	(58,775)	(17,545)
Deferred charges, net	(557,190)	(358,811)
Accounts payable and accrued liabilities	115,985	(184,341)
Deferred revenue	581,447	397,163
Net cash provided by operating activities	3,839,119	3,537,543
Investing activities:		
Purchases of rental property and equipment	(548,722)	(1,434,836)
Net cash (used in) investment activities	(548,722)	(1,434,836)
Financing activities:		
Due from Drexel University	485,332	(610,102)
Transfer to Drexel Endowment	(1,541,000)	(1,541,000)
Transfer to Drexel for St. Chris Hospital	-	(5,450,000)
Net cash (used in) financing activities	(1,055,668)	(7,601,102)
Net increase / (decrease) in cash and cash equivalents	2,234,729	(5,498,395)
Cash and cash equivalents, beginning of year	4,603,770	10,102,165
Cash and cash equivalents, end of year	\$ 6,838,499	\$ 4,603,770

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

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

1. Organization

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

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and with the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which requires API to classify its net assets into two categories according to donor-imposed restrictions; net assets without donor imposed restrictions and net assets with donor imposed restrictions.

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

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

There were no net assets classified as with donor restrictions as of June 30, 2021 and 2020.

Measure of Operations

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

Liquidity and Availability

API’s financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2021, and 2020 are as follows:

	2021	2020
Total assets at year-end	\$ 27,629,572	\$ 25,045,725
Less: non-financial and financial assets not available within one year		
Prepaid expenses and other assets	(724,249)	(72,480)
Tenants' escrow accounts	(112,828)	(171,603)
Deferred charges, net	(973,862)	(416,672)
Operating Lease Right of Use (ROU) Asset	(8,110)	-
Rental property and equipment, net	(18,506,025)	(18,853,393)
Financial assets available at year-end for current use	\$ 7,304,498	\$ 5,531,577

API has \$7,304,498 of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure. In addition to these available financial assets, a significant portion of API’s annual expenditures will be funded by current year operating revenues including rental income from properties, management fee income from affiliates, and other miscellaneous revenues. API structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

Academic Properties, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Cash

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. On June 30, 2021 and 2020, API had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value.

Expenses

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

Rental Property and Equipment, Net

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

Deferred Charges

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

Deferred Revenue

Deferred revenue represents cash paid in advance for future rent.

Use of Estimates

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

Asset Retirement Obligation/Asset

The Company determined there were legal obligations to perform certain asset retirement activities associated with certain fire doors, carpeting and storage tanks. The total asset retirement cost and obligation recognized was \$6,185 and \$194,780 respectively, for 2021 and \$7,484 and \$185,533, respectively, for 2020 and is included in rental property and equipment, net, and accrued expenses, respectively.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is meant to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual fiscal periods beginning after December 15, 2018. In July 2018, FASB issued ASU No. 2018-11 which amends the transition methods contained in ASU No. 2016-02. API has early adopted the standard on a modified retrospective basis effective July 1, 2020, and there was no material impact on its financial statements.

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

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

3. Rental Property and Equipment

At June 30, 2021 and 2020, rental property and equipment consisted of the following:

	2021	2020
Land:	\$ 4,427,655	\$ 4,427,655
Building and Building Improvements:		
One Drexel Plaza	2,033,814	2,033,814
All Other Properties	6,557,844	6,557,844
Building Improvements	26,702,734	26,168,995
Total buildings and building improvements	35,294,392	34,760,653
Furniture and Fixtures:		
Furniture and fixtures	187,596	187,596
Equipment	47,259	47,259
Total furniture, fixtures, and equipment	234,855	234,855
Total rental property and equipment, gross	39,956,902	39,423,163
Less: Accumulated depreciation	(21,450,877)	(20,569,770)
Total rental property and equipment, net	\$ 18,506,025	\$ 18,853,393

The values related to One Drexel Plaza included in rental property and equipment - net amounted to \$6,412,618 and \$6,352,541 at June 30, 2021 and 2020, respectively.

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

4. Lease Rentals

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

	<u>Minimum Lease</u>
June 30,	
2022	4,053,348
2023	4,432,675
2024	4,522,828
2025	4,315,660
2026	4,129,316
Thereafter	<u>15,033,037</u>
Total	<u>36,486,864</u>

Rent for new leases or the exercise of renewal options under existing leases is not included in the table above, its operating leases, the Company records rent revenue on a straight-line basis over the term of the lease agreements based on fixed and scheduled minimum rent increases. The difference between actual rent and straight-line rent for the fiscal year ending June 30, 2021 and 2020 was (\$557,189) and (\$358,811), respectively. As of June 30, 2021, and 2020, the deferred rent asset amounted to \$973,862 and \$416,672, respectively and the deferred rent liability amounted to \$0 for both years.

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

5. Functional and Natural Classification of Expenses

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

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

	2021		
	Program Services	Management and General	Total
Salaries and wages	\$ 577,969	\$ -	\$ 577,969
Employee benefits	177,760	-	177,760
Depreciation and amortization	896,090	-	896,090
Other operating expenses	3,445,561	9,750	3,455,311
Total expenses	\$ 5,097,380	\$ 9,750	\$ 5,107,130

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

	2020		
	Program Services	Management and General	Total
Salaries and wages	\$ 832,573	\$ -	\$ 832,573
Employee benefits	270,444	-	270,444
Depreciation and amortization	781,542	-	781,542
Other operating expenses	2,989,964	9,550	2,999,514
Total expenses	\$ 4,874,523	\$ 9,550	\$ 4,884,073

6. Related-Party Transactions

Drexel rents approximately 113,590 square feet of space at One Drexel Plaza from the Company. These leases are for a ten-year period and the monthly base rent average approximately \$239,228 during the year ended June 30, 2021.

The Company also received \$125,020 and \$168,632 from Drexel for services rendered in managing properties owned by Drexel during the years ended June 30, 2021 and 2020, respectively.

All the buildings and improvements for the Company were designated by the Drexel Board of Trustees as quasi-endowment assets of the Drexel University in February 2011. Accordingly, the distribution to endowment for both years ended June 30, 2021 and 2020 was \$1,541,000 and represent a payout to the Drexel endowment.

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

7. COVID-19

The outbreak of the COVID-19 pandemic has caused domestic disruptions in the operations for API. The long-term effect to API of the COVID-19 pandemic depends on various factors, which cannot be fully quantified at this time. As of June 30, 2021, and through the date of these financial statements, API evaluated its accounting estimates for any potential future impacts of the pandemic. While this evaluation did not result in a material effect to API's financial statements as of June 30, 2021, future evaluations could result in a material effect depending on the eventual impact and duration of the pandemic.

8. Subsequent Events

Effective September 1, 2021 the Academic Properties, Inc. Tax Deferred Annuity Plan was merged into the Drexel University Defined Contribution Retirement Plan.

API has evaluated events subsequent from June 30, 2021 through October 28, 2021 and determined that no other subsequent events occurred which require recognition or disclosure in the financial statements.

Supplemental Schedules

Academic Properties, Inc.
Supplemental Schedule of Revenue and Expenses by Property Category
Year Ended June 30, 2021

	One Drexel Plaza	201 Cheswold Street	All Other Properties	Total
Operating				
Revenues:				
Rents				
Minimum lease payment, net	\$ 4,417,409	\$ -	\$ 1,384,975	\$ 5,802,384
Common area expense and utilities	2,173,299	-	2,360	2,175,659
Interest	-	-	4,205	4,205
Management fee income, affiliate	-	-	125,020	125,020
Miscellaneous	427,720	-	50,222	477,942
Total revenues	7,018,428	-	1,566,782	8,585,210
Expenses:				
Depreciation and amortization	264,472	-	631,618	896,090
Commissions	46,359	-	-	46,359
Dues and licenses	2,626	-	9,140	11,766
Payroll	438,288	44,817	94,864	577,969
Employee benefits	141,322	14,571	21,867	177,760
Insurance	150,529	-	58,833	209,362
Office	4,208	-	4,858	9,066
Professional development	32,988	-	7,239	40,227
Professional fees	149,459	-	65,811	215,270
Property taxes	86,356	-	2,125	88,481
Repairs and maintenance	880,195	-	673,014	1,553,209
Security	422,721	-	41,831	464,552
Taxes other	-	-	31,067	31,067
Telephone	35,564	-	14,919	50,483
Trash removal	8,206	-	84,294	92,500
Utilities	392,093	-	199,592	591,685
Miscellaneous	15,932	-	35,352	51,284
Intercompany overhead charges*	21,707	-	(21,707)	-
Total expenses	3,093,025	59,388	1,954,717	5,107,130
Increase / (decrease) in net assets from operating activities	3,925,403	(59,388)	(387,935)	3,478,080
Non-operating				
Transfers to Drexel Endowment	(1,290,588)	-	(250,412)	(1,541,000)
Decrease in net assets from non-operating activities	(1,290,588)	-	(250,412)	(1,541,000)
Total increase / (decrease) in net assets	\$ 2,634,815	\$ (59,388)	\$ (638,347)	\$ 1,937,080
Net assets, beginning of year	25,903,204	(580,726)	(1,202,262)	24,120,217
Net assets, end of year	\$ 28,538,019	\$ (640,114)	\$ (1,840,609)	\$ 26,057,297

* Amounts have been allocated to One Drexel Plaza from all other properties for report purposes.

Academic Properties, Inc.
Supplemental Schedule of Revenue and Expenses by Property Category
Year Ended June 30, 2020

	One Drexel Plaza	201 Cheswold Street	All Other Properties	Total
Operating				
Revenues:				
Rents				
Minimum lease payment, net	\$ 3,535,323	\$ -	\$ 1,824,740	\$ 5,360,063
Common area expense and utilities	1,713,150	-	2,930	1,716,080
Interest	-	-	5,852	5,852
Management fee income, affiliate	-	-	168,632	168,632
Miscellaneous	42,083	-	227,431	269,514
Total revenues	5,290,556	-	2,229,585	7,520,141
Expenses:				
Depreciation and amortization	234,646	-	546,896	781,542
Dues and licenses	1,447	-	1,665	3,112
Payroll	658,702	41,451	132,420	832,573
Employee benefits	229,393	9,798	31,253	270,444
Insurance	116,413	-	45,451	161,864
Office	12,943	-	15,752	28,695
Professional development	44,542	-	3,736	48,278
Professional fees	84,293	-	40,654	124,947
Property taxes	96,675	-	3,415	100,090
Repairs and maintenance	899,874	-	481,009	1,380,883
Security	398,754	-	28,699	427,453
Taxes other	3,774	-	24,065	27,839
Telephone	15,761	-	22,009	37,770
Trash removal	17,080	-	57,387	74,467
Utilities	314,500	-	254,060	568,560
Miscellaneous	7,743	-	7,813	15,556
Intercompany overhead charges*	34,404	-	(34,404)	-
Total expenses	3,170,944	51,249	1,661,880	4,884,073
Increase / (decrease) in net assets from operating activities	2,119,612	(51,249)	567,705	2,636,068
Non-operating				
Transfers to Drexel Endowment	(1,290,588)	-	(250,412)	(1,541,000)
Transfers to St. Chris Hospital	(5,450,000)	-	-	(5,450,000)
Decrease in net assets from non-operating activities	(6,740,588)	-	(250,412)	(6,991,000)
Total increase / (decrease) in net assets	\$ (4,620,976)	\$ (51,249)	\$ 317,293	\$ (4,354,932)
Net assets, beginning of year	30,524,180	(529,477)	(1,519,555)	28,475,149
Net assets, end of year	\$ 25,903,204	\$ (580,726)	\$ (1,202,262)	\$ 24,120,217

* Amounts have been allocated to One Drexel Plaza from all other properties for report purposes.

Academic Properties, Inc.
Notes to the Supplement Schedules of Revenue and Expenses by Property Category
June 30, 2021 and 2020

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

The accompanying supplemental information includes the information related to certain properties owned by the Company as of June 30, 2021 and 2020 and the related statements of activities for the years then ended. It has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental combining information is presented only for purposes of additional analysis and not as a presentation of the statement of activities.