

Academic Properties, Inc.
Financial Statements and Supplemental Schedules
for the Fiscal Years Ended
June 30, 2024, and 2023

Academic Properties, Inc.

Index

June 30, 2024, and 2023

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Review Report of Independent Accountants

To the Board of Trustees of Drexel University

We have reviewed the accompanying financial statements of Academic Properties, Inc., which comprise the statements of financial position as of June 30, 2024, and 2023 and the related statements of activities and statements of cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

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

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

Accountants' Conclusion

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

Other Matter

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

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
October 28, 2024

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PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1800, 2001 Market Street, Philadelphia, PA 19103-7042 T: (267) 330 3000, F: (267) 330 3300, www.pwc.com/us

Academic Properties, Inc.
Statements of Financial Position
June 30, 2024, and 2023

	2024		2023
Assets:			
Cash and cash equivalents	12,423,243	\$	10,943,516
Tenants' escrow accounts	174,004		178,963
Accounts receivable	169,891		91,654
Prepaid expenses and other assets	760,878		616,125
Deferred charges, net	1,631,481		1,625,790
Due from Drexel University	350,018		385,346
Operating Lease Right of Use (ROU) Asset	67		2,306
Rental property and equipment, net	19,098,476		18,740,064
Total assets	34,608,058	\$	32,583,764
Liabilities:			
Accounts payable and accrued liabilities	\$ 408,510	\$	939,702
Deferred revenue	309,300		334,974
Tenants' escrow accounts	174,004		178,963
Operating Lease Liability	67		2,306
Total liabilities	\$ 891,881	\$	1,455,945
Net Assets:			
Without donor restrictions	33,716,177		31,127,819
Total net assets	33,716,177		31,127,819
Total liabilities and net assets	\$ 34,608,058	\$	32,583,764

Academic Properties, Inc.
Statements of Activities
June 30, 2024, and 2023

Operating	2024	2023
Revenues:		
Rents		
Minimum lease payments	\$ 6,483,571	\$ 6,207,297
Common area expense and utilities	2,353,237	2,302,451
Interest	392,900	82,807
Management fee income - affiliate	164,031	151,032
Miscellaneous	75,172	468,533
Total revenues	9,468,911	9,212,120
Expenses:		
Salaries and wages	598,053	601,303
Employee benefits	228,636	203,856
Depreciation and amortization	1,062,263	976,222
Other operating expenses	3,450,601	3,048,421
Total expenses	5,339,553	4,829,802
Increase in net assets from operating activities	4,129,358	4,382,318
Non-operating		
Transfer to Drexel Endowment	(1,541,000)	(1,541,000)
Decrease in net assets from non-operating activities	(1,541,000)	(1,541,000)
Total increase in net assets	2,588,358	2,841,318
Net assets, beginning of year	31,127,819	28,286,501
Net assets, end of year	\$ 33,716,177	\$ 31,127,819

Academic Properties, Inc.
Statements of Cash Flows
June 30, 2024, and 2023

	2024	2023
Operating activities:		
Increase in net assets:	\$ 2,588,358	\$ 2,841,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,062,263	976,222
Transfer to Drexel Endowment	1,541,000	1,541,000
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	(78,237)	2,988
Prepaid expenses and other assets	(144,753)	44,426
Deferred charges, net	(5,691)	(127,519)
Accounts payable and accrued liabilities	(533,984)	574,088
Deferred revenue	(25,674)	(428,892)
Net cash provided by operating activities	4,403,282	5,423,631
Investing activities:		
Building Improvements	(1,417,883)	(991,291)
Net cash used in investment activities	(1,417,883)	(991,291)
Financing activities:		
Due from Drexel University	35,328	8,650
Transfer to Drexel Endowment	(1,541,000)	(1,541,000)
Net cash used in financing activities	(1,505,672)	(1,532,350)
Net increase in cash and cash equivalents	1,479,727	2,899,990
Cash and cash equivalents, beginning of year	10,943,516	8,043,526
Cash and cash equivalents, end of year	\$ 12,423,243	\$ 10,943,516

Academic Properties, Inc.

Notes to Financial Statements

June 30, 2024, and 2023

1. Organization

Academic Properties, Inc. (the “Company” or “API”) is 100% owned by Academic Assets, Inc. and Academic Assets, Inc. is 100% owned by 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, 2024, and 2023.

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, 2024, and 2023 are as follows:

	2024	2023
Total assets at year-end	\$ 34,608,058	\$32,583,764
Less: non-financial and financial assets not available within one year		
Prepaid expenses and other assets	(760,878)	(616,125)
Tenants' escrow accounts	(174,004)	(178,963)
Deferred charges, net	(1,631,481)	(1,625,790)
Operating Lease Right of Use (ROU) Asset	(67)	(2,306)
Rental property and equipment, net	(19,098,476)	(18,740,064)
Financial assets available at year-end for current use	\$ 12,943,152	\$ 11,420,516

API has \$12,943,152 of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure. In addition to these available financial assets, a significant portion of API’s annual expenditures is funded by current year operating revenues including rental income from properties, management fee income from affiliates, and other miscellaneous revenues. API structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

Academic Properties, Inc.

Notes to Financial Statements

June 30, 2024, and 2023

Cash

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. As of June 30, 2024, and 2023, 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

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 \$2,789 and \$202,789 respectively, as of June 30, 2024 and \$3,586 and \$199,996 respectively, as of June 30, 2023 and is included in rental property and equipment, net, and accrued expenses, respectively.

Recently Issued Accounting Pronouncements

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. The ASU addresses two distinct issues (1) terms and conditions to be considered in common control arrangements and (2) accounting for leasehold improvements in common control arrangements. ASU 2023-01 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. API is currently evaluating the standard to determine the impact it will have on its financial statements.

In December 2023, the FASB issued ASU No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*. The ASU addresses the accounting and disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain crypto assets at fair value, with changes in fair value recorded in net income in each reporting period. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets. ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. API is currently evaluating the standard to determine the impact it will have on its financial statements.

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2024, and 2023

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

3. Rental Property and Equipment

At June 30, 2024 and 2023, rental property and equipment consisted of the following:

	2024	2023
Land:	\$ 4,427,655	\$ 4,427,655
Building and Building Improvements:		
One Drexel Plaza	2,033,814	2,033,814
All Other Properties	5,735,158	5,735,158
Building Improvements	21,483,365	20,065,482
Total buildings and building improvements	29,252,337	27,834,454
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	33,914,847	32,496,964
Less: Accumulated depreciation	(14,816,371)	(13,756,900)
Total rental property and equipment, net	\$ 19,098,476	\$ 18,740,064

The values related to One Drexel Plaza included in rental property and equipment, net amounted to \$6,261,445 and \$6,441,246 as of June 30, 2024, and 2023, respectively.

4. Lease Rentals

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

	Minimum Lease
June 30	
2025	4,106,499
2026	3,902,236
2027	3,974,150
2028	4,085,238
2029	3,830,746
Thereafter	2,024,282
Total	21,923,151

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2024, and 2023

Rent for new leases or the exercise of renewal options under existing leases is not included in the table above. 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 as of June 30, 2024, and 2023 was \$5,691 and \$127,520, respectively. As of June 30, 2024, and 2023, the net deferred rent asset was \$1,631,481 and \$1,625,790 respectively.

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, 2024, consist of the following:

	2024		
	Program Services	Management and General	Total
Salaries and wages	\$ 598,053	\$ -	\$ 598,053
Employee benefits	228,636	-	228,636
Depreciation and amortization	1,062,263	-	1,062,263
Other operating expenses	3,441,556	9,045	3,450,601
Total expenses	\$ 5,330,508	\$ 9,045	\$ 5,339,553

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

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

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 averages approximately \$263,093 during the year ended June 30, 2024.

The Company also received \$164,031 and \$151,032 from Drexel for services rendered in managing properties owned by Drexel during the years ended June 30, 2024, and 2023, respectively.

Academic Properties, Inc.
Notes to Financial Statements
June 30, 2024, and 2023

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, 2024, and 2023 was \$1,541,000 and represent a payout to the Drexel endowment.

Effective January 1, 2022, housing was provided to the CEO of St. Christopher's Hospital at 3200 Summer Street. 3200 Summer Street is a Drexel-Owned, API managed property and costs for this transaction are within Drexel's financial statements. The taxable benefit is capped at \$3,300 per month and includes rent and customary utilities. This benefit ended March 31, 2024.

7. Subsequent Events

API evaluated events after June 30, 2024, through October 28, 2024, and determined that there were no additional events requiring adjustment to or disclosure in the financial statements.

Supplemental Schedules

Academic Properties, Inc.
Supplemental Schedule of Revenue and Expenses by Property Category
June 30, 2024

	One Drexel Plaza	201 Cheswold Street	All Other Properties	Total
Operating				
Revenues:				
Rents				
Minimum lease payment, net	\$ 4,844,501	\$ -	\$ 1,639,070	\$ 6,483,571
Common area expense and utilities	2,352,795	-	442	2,353,237
Interest	-	-	392,900	392,900
Management fee income, affiliate	-	-	164,031	164,031
Miscellaneous	59,569	-	15,603	75,172
Total revenues	7,256,865	-	2,212,046	9,468,911
Expenses:				
Depreciation and amortization	311,098	-	751,165	1,062,263
Commissions	69,538	-	-	69,538
Dues and licenses	1,805	-	7,664	9,469
Pay roll	474,468	59,932	63,653	598,053
Employee benefits	182,452	20,676	25,508	228,636
Insurance	224,472	-	83,233	307,705
Office	15,069	-	6,722	21,791
Professional development	3,794	-	2,621	6,415
Professional fees	161,785	-	39,531	201,316
Property taxes	133,332	-	1,445	134,777
Repairs and maintenance	983,510	-	591,301	1,574,811
Security	376,753	-	45,478	422,231
Taxes other	8,599	-	2,370	10,969
Telephone	13,934	-	16,924	30,858
Trash removal	6,226	-	64,519	70,745
Utilities	352,159	-	213,907	566,066
Miscellaneous	74	-	23,836	23,910
Total expenses	3,319,068	80,608	1,939,877	5,339,553
Increase / (decrease) in net assets - operating activities	3,937,797	(80,608)	272,169	4,129,358
Non-operating				
Transfers to Drexel Endowment	(1,290,588)	-	(250,412)	(1,541,000)
Transfer to Drexel Brandywine Net Revenue	-	-	-	-
Decrease in net assets - non-operating activities	(1,290,588)	-	(250,412)	(1,541,000)
Total increase / (decrease) in net assets	\$ 2,647,209	\$ (80,608)	\$ 21,757	\$ 2,588,358
Net assets, beginning of year	34,429,682	(779,828)	(2,522,036)	31,127,819
Net assets, end of year	\$37,076,891	\$ (860,436)	\$ (2,500,279)	\$33,716,177

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

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

Academic Properties, Inc.
Notes to the Supplemental Schedule of Revenue and Expenses by Property Category
June 30, 2024 and 2023

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, 2024, and 2023 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.