DREXEL UNIVERSITY
AND SUBSIDIARIES

FINANCIAL REPORT
June 30, 2011

Drexel
UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Drexel University
Philadelphia, Pennsylvania

We have audited the accompanying consolidated statements of financial position of Drexel University and Subsidiaries (the "University") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the University at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating schedules on pages 31-34 are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and change in net assets of the individual entities, and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the University's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements, and in our opinion, are fairly presented in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

September 20, 2011

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENTS of FINANCIAL POSITION

as of June 30, 2011 and 2010 (in thousands)

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

See notes to consolidated financial statements.

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

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

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENT of ACTIVITIES

for the year ended June 30, 2010 (in thousands)

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

See notes to consolidated financial statements.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATED STATEMENTS of CASH FLOWS

for the years ended June 30, 2011 and 2010 (in thousands)

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

See notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Basis of Financial Statements: Drexel University (the "University") is a private research university located in Philadelphia, Pennsylvania. The University is an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. All revenues received and expenditures paid prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected as deferred revenues and deferred charges, respectively.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into the categories as shown below.

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets. Such assets are included in the University's permanent endowment funds.

Temporarily restricted: Net assets subject to donor-imposed restrictions that can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time. Endowment income and contributions with donor-imposed restrictions are reported as temporarily restricted and are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

Unrestricted: Net assets not subject to donor-imposed stipulations that may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses are shown as decreases in unrestricted net assets. Expirations of donor-imposed stipulations are reported as net assets released from restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use.

Philadelphia Health & Education Corporation: The University owns 100% of the Philadelphia Health & Education Corporation, doing business as Drexel University College of Medicine ("PHEC"). PHEC is party to an Academic Affiliation Agreement with Tenet Healthcare Corporation ("Tenet") intended to establish a relationship to foster continued coordination and integration between PHEC and the Tenet hospitals whereby PHEC agrees to provide administrative, supervisory and teaching services to Tenet at budgeted levels. This agreement, dated November 10, 1998 and subsequently amended on April 25, 2002, is effective until June 30, 2022 and may be renewed thereafter for separate and successive five-year terms (see Note 14).

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

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

Academic Properties, Inc.: The University owns 100% of Academic Properties, Inc. ("API"), a tax-exempt organization. API manages properties used by the University as well as other strategically located properties contiguous to the campus. The balances and activities of API are consolidated in the University's financial statements.

Drexel e-Learning, Inc.: The University owns 100% of the issued and outstanding stock of Drexel e-Learning, Inc. ("DeL"). DeL was created to provide educational products and services through distance learning. The balances and activities of DeL are consolidated in the University's financial statements.

Schuylkill Crossing Reciprocal Risk Retention Group: The Schuylkill Crossing Reciprocal Risk Retention Group (the "RRRG") operates to provide primary coverage for claims-made medical professional liability insurance for health care professionals employed by PHEC. Ownership of the RRRG was split 87% and 13% between PHEC and the University, respectively, through November 9, 2010. Effective November 10, 2010, the ownership allocation was adjusted to 85% for PHEC and 15% for the University (see Note 12).

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

Cash and Cash Equivalents: Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days.

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

Beneficial Interests in Trusts: Gifts held by outside trustees for which the University has a beneficial interest are recorded at the present value of expected future cash flows as unrestricted, temporarily and permanently restricted net assets and related beneficial interests in trusts in the consolidated financial statements.

Fair Value of Financial Instruments: The University applies fair value measurements to contributions receivable, beneficial interests in trusts, endowment investments, self-insurance escrow funds, real estate, deposits with bond trustees, interest rate swaps and annuities. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans could not be made because the loans are not readily saleable. These loans are recorded at cost, less an allowance for doubtful accounts (see Note 3). See Notes 4, 5, 6 and 10 for additional fair value disclosures.

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

Patient Care Activities: PHEC faculty physicians participate in several physician practice plans that are managed by PHEC. Revenue and expenses related to these practice plans are recorded as patient care activities.

Patient care activities represent amounts received and the estimated net realizable amounts due from patients and third-party payers for services rendered. PHEC provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement. In 2011 and 2010, revenue from Medicare and Medicaid programs combined and from managed care payers accounted for 20% and 53%, respectively, and 17% and 54%, respectively, of gross patient service revenue.

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

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

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

Effective June 30, 2010, the University implemented FASB ASC 815-10, *Disclosures about Derivative Instruments and Hedging Activities*, that requires disclosures on how and why derivative instruments are used, how derivative instruments and related hedged items are accounted for under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect an organization's financial statements. The impact of ASC 815-10 is limited to the additional disclosures regarding these activities shown in the Accounting for Derivative Instruments and Hedging Activities section below.

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

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

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

Accounting for Derivative Instruments and Hedging Activities: The University entered into a variable-to-fixed swap agreement with Wachovia Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The agreement resulted in a gain of $779,000 in 2011 and a loss of $1,473,000 in 2010, reported as an unrealized gain/loss on investments in the consolidated statement of activities. The estimated fair value of the agreement was ($2,890,000) and ($3,669,000), respectively, at June 30, 2011 and 2010.

The University has also entered into a variable-to-fixed swap agreement with TD Bank, N.A., which converts the TD Bank loan to a fixed rate of 3.83% through the January 2014 termination date. The agreement resulted in a gain of $115,000 in 2011 and a loss of $413,000 in 2010, reported as an unrealized gain/loss on investments in the consolidated statement of activities. The estimated fair value of the agreement was ($418,000) and ($533,000) at June 30, 2011 and 2010.

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

Note 2: Net Assets

Net assets included the following:

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

Note 3: Receivables

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

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

Note 3: Receivables, continued...

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

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

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

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

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

Note 3: Receivables, continued...

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

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

Note 4: Contributions Receivable

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

Note 4: Contributions Receivable, continued...

Net contributions receivable at June 30 were as follows:

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

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

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

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

Note 5: Investments and Investment Return

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

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

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

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

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

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

Note 6: Fair Value of Financial Instruments

The three-level hierarchy for fair value measurements is based on observable inputs to the valuation of an asset or liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. When available, fair value is based on actively-quoted market prices. In the absence of actively-quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, prices are estimated based on available historical financial data or comparable investment vehicles that reflect widely accepted market valuation practices.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In those cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs, considered to be unobservable, are used in their valuations. The fair value hierarchy and inputs to valuation techniques are as follows:

> *Level 1* - Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly-traded range of equity and debt securities.
>
> *Level 2* - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include non-exchange-traded fixed income securities, certain bond investments, mutual funds, structured products, real estate and interest rate swaps.
>
> *Level 3* - Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of partnership investments in hedge funds, alternative and private equities, contributions receivable and annuities.

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

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

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

	(in thousands)			
2011	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets at Fair Value:				
Deposits with bond trustees	$ 101,566	$ 101,566		
Beneficial interests in trusts	38,939	38,939		
Investments:				
Equity securities	224,581	224,581		
Fixed income securities and bond funds	43,569	28,784	$ 14,785	
Mutual funds	8,209		8,209	
Alternative investments	78,855		9,716	$ 69,139
Real estate and real assets	148,959	19,774	111,308	17,877
Money market funds	7,817	7,817		
Investments held in endowment	511,990	280,956	144,018	87,016
Self-insurance escrow funds (Note 12)	11,367	11,367		
Balanced index fund (Note 12)	21,022	21,022		
Real estate	317		317	
Total investments	544,696	313,345	144,335	87,016
Total assets	**$ 685,201**	**$ 453,850**	**$ 144,335**	**$ 87,016**
Liabilities at Fair Value:				
Interest rate swaps (Note 1)	$ 3,308		$ 3,308	
Annuities	5,746			$ 5,746
Total liabilities	**$ 9,054**		**$ 3,308**	**$ 5,746**

2010				
Assets at Fair Value:				
Deposits with bond trustees	$ 27,847	$ 27,847		
Beneficial interests in trusts	21,061	21,061		
Investments:				
Equity securities	208,593	208,593		
Fixed income securities and bond funds	42,280	26,925	$ 15,355	
Alternative investments	63,318			$ 63,318
Real estate and real assets	80,960	15,929	58,545	6,486
Money market funds	20,507	20,507		
Investments held in endowment	415,658	271,954	73,900	69,804
Self-insurance escrow funds (Note 12)	9,798	9,798		
Balanced index fund (Note 12)	15,749	15,749		
Real estate	25,702		25,702	
Total investments	466,907	297,501	99,602	69,804
Total assets	**$ 515,815**	**$ 346,409**	**$ 99,602**	**$ 69,804**
Liabilities at Fair Value:				
Interest rate swaps (Note 1)	$ 4,202		$ 4,202	
Annuities	5,837			$ 5,837
Total liabilities	**$ 10,039**		**$ 4,202**	**$ 5,837**

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

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

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

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

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

(b) This category includes investments in hedge funds that invest in debt of companies that are in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair value has been estimated using the net asset value per share of the investments. As of June 30, 2010, the liquidation period would have been the same (1 to 3 years) as the investment horizon was still 1 to 3 years.

(c) This category includes investments in hedge funds that invest in publicly traded corporate bonds, sovereign debt and currency forward contracts of emerging market countries. The fair value has been estimated using the net asset value per share of the investments. There were no changes in this category from June 30, 2010.

(d) This category includes investments in private equity funds that invest in the secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If the investments were held, it is estimated that the underlying assets of the fund would be liquidated over 3 to 5 years. As of June 30, 2010, the estimated liquidation period would have been 3 to 6 years.

(e) This category includes investments in private equity funds that invest primarily in technology and healthcare companies in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the funds would be liquidated over 2 to 5 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 3 to 6 years.

(f) This category includes investments in private equity funds that invest in legacy loans and securities which banks are otherwise unable to remove from their balance sheets. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 6 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 1 to 7 years.

(g) This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are primarily in U.S. technology and healthcare companies. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 3 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 2 to 4 years.

(h) This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 6 to 10 years. As of June 30, 2010, if these investments were held, it is estimated that the underlying assets would be liquidated over 7 to 11 years.