

**Drexel University and
Subsidiaries**
Consolidated Financial Statements
For the Years Ended June 30, 2025 and 2024

Drexel University and Subsidiaries
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June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 consolidated 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 consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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.

A handwritten signature in dark ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
October 28, 2025

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2025 and 2024 (in thousands)

	2025	2024
Assets:		
Cash, cash equivalents, and restricted cash		
Operating	\$ 40,805	\$ 20,394
Restricted	14,115	15,133
Accounts receivable	167,920	173,770
Contributions receivable, net	58,882	63,677
Loans receivable	12,905	14,605
Prepaid expenses and other assets	127,472	100,708
Malpractice insurance trust	6,704	7,780
Beneficial interests in trusts	47,492	45,414
Investments	1,079,976	1,023,279
Land, buildings and equipment, net	1,061,141	1,086,564
Finance lease right-of-use (ROU) asset	7,765	12,894
Operating lease right-of-use (ROU) asset	451,435	472,111
Total assets	\$ 3,076,612	\$ 3,036,329
Liabilities:		
Accounts payable	\$ 47,354	\$ 44,008
Accrued liabilities	113,507	95,072
Deposits and deferred revenue	193,935	185,134
Finance lease liability	7,766	8,840
Operating lease liability	569,295	587,360
Government advances for student loans	15,916	17,688
Accrued retirement obligations	22,712	25,164
Bonds and notes payable	552,015	555,120
Liabilities held for sale	401	516
Total liabilities	1,522,901	1,518,902
Net Assets:		
Without donor restrictions	595,673	629,272
With donor restrictions	958,038	888,155
Total net assets	1,553,711	1,517,427
Total liabilities and net assets	\$ 3,076,612	\$ 3,036,329

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, 2025 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	\$ 718,564	\$ -	\$ 718,564
Grants and contracts	137,042	25,162	162,204
Physician services	28,321		28,321
Auxilliary enterprises	17,619		17,619
Commonwealth appropriations	1,704		1,704
Contributions	8,614	25,565	34,179
Allocation of endowment spending from financial capital	24,692	26,983	51,675
Investment income, net	12,180	880	13,060
Other income	42,254	375	42,629
Total revenues	990,990	78,965	1,069,955
Net assets released from restrictions	73,867	(73,867)	-
Total revenues and releases	1,064,857	5,098	1,069,955
Expenses:			
Salaries and wages	517,770		517,770
Employee benefits	125,723		125,723
Depreciation and amortization	57,520		57,520
Interest	20,185		20,185
Other operating expenses	388,473		388,473
Total expenses	1,109,671	-	1,109,671
(Decrease) / increase in net assets from operating activities	(44,814)	5,098	(39,716)
Non-operating			
Contributions - Endowment and other gifts	1,033	28,202	29,235
Realized / unrealized net gain on investments, net of endowment payout and expenses	12,438	36,583	49,021
Change in funding status of post-retirement and defined benefit plans	624		624
Other decreases	(2,880)		(2,880)
Increase in net assets from non-operating activities	11,215	64,785	76,000
Total (decrease) / increase in net assets	(33,599)	69,883	36,284
Net assets, beginning of year	629,272	888,155	1,517,427
Net assets, end of year	\$ 595,673	\$ 958,038	\$ 1,553,711

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, 2024 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	\$ 674,574	\$ -	\$ 674,574
Grants and contracts	136,702	23,377	160,079
Physician services	24,008		24,008
Auxiliary enterprises	18,850		18,850
Commonwealth appropriations	2,017		2,017
Contributions	3,481	11,985	15,466
Allocation of endowment spending from financial capital	22,832	30,477	53,309
Investment income, net	12,286	1,873	14,159
Other income	50,179	555	50,734
Total revenues	944,929	68,267	1,013,196
Net assets released from restrictions	75,338	(75,338)	-
Total revenues and releases	1,020,267	(7,071)	1,013,196
Expenses:			
Salaries and wages	481,277		481,277
Employee benefits	136,583		136,583
Depreciation and amortization	55,265		55,265
Interest	19,556		19,556
Other operating expenses	383,949		383,949
Total expenses	1,076,630	-	1,076,630
Decrease in net assets from operating activities	(56,363)	(7,071)	(63,434)
Non-operating			
Contributions - Endowment and other gifts	1,973	20,805	22,778
Realized / unrealized net (loss) / gain on investments, net of endowment payout and expenses	(2,476)	17,875	15,399
Net assets acquired from Salus University	91,070	13,069	104,139
Change in funding status of post-retirement and defined benefit plans	175		175
Other decreases	(876)		(876)
Increase in net assets from non-operating activities	89,866	51,749	141,615
Total increase in net assets	33,503	44,678	78,181
Net assets, beginning of year	595,769	843,477	1,439,246
Net assets, end of year	\$ 629,272	\$ 888,155	\$ 1,517,427

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, 2025 and 2024 (in thousands)

	2025	2024
Operating activities:		
Increase in net assets	\$ 36,284	\$ 78,181
Adjustments to reconcile change in net assets to net cash (used in) / provided by operating activities:		
Depreciation and amortization	54,834	52,945
(Gain) / Loss on disposal of assets	1,357	(10,381)
Net assets acquired from Salus University	-	(104,139)
Change in market value in beneficial interests in trusts	(2,078)	(2,941)
Contributions restricted for long-term investment	(23,263)	(12,084)
Non-cash contributions received	(1,666)	(3,000)
Proceeds from the sale of donated securities	1,352	2,843
Actuarial change on annuity liabilities	(147)	286
Realized/unrealized gain on investments	(107,306)	(71,270)
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	5,850	(5,281)
Contributions receivable	2,281	14,428
Prepaid expenses and other assets	(26,773)	(6,661)
Accounts payable and accrued liabilities	22,681	(46,226)
Accrued retirement obligations	(2,452)	(2,332)
Deposits and deferred revenue	8,801	6,705
Right-of-use assets and liabilities	6,776	3,690
Other, net	(115)	(450)
Net cash used in operating activities	(23,584)	(105,687)
Investing activities:		
Purchase of investments	(128,805)	(84,123)
Proceeds from sales and maturities of investments	179,715	130,796
Change in malpractice insurance trust	1,076	5,618
Student loans repaid	1,700	2,134
Purchases of land, buildings and equipment	(32,590)	(30,195)
Sales of land, buildings and equipment	15	16,268
Cash acquired from Salus University	-	6,337
Net cash provided by investment activities	21,111	46,835
Financing activities:		
Proceeds from restricted contributions	23,263	12,084
Proceeds from sale of contributed securities restricted for endowment	2,468	4,704
Payments on annuity obligations	(502)	(358)
Repayments of federal student loan funds	(1,772)	(2,927)
Proceeds from short-term debt	10,000	20,000
Payments on finance lease liability	(1,176)	(1,324)
Repayments of long-term debt	(10,415)	(9,935)
Net cash provided by financing activities	21,866	22,244
Net increase in cash and cash equivalents, and restricted cash	19,393	(36,608)
Cash and cash equivalents, and restricted cash, beginning of year	35,527	72,135
Cash and cash equivalents, and restricted cash, end of year	\$ 54,920	\$ 35,527
Supplemental Information		
Gifts-in-kind	30	153
Cash paid for interest	19,452	19,929
Amounts accrued for purchase of land, buildings and equipment	9,614	9,273
Donated securities	4,121	7,573
Net assets acquired from Salus University:		
Cash acquired	-	6,337
Fair value of assets acquired (excluding cash)	-	136,839
Liabilities assumed	-	(39,037)
	-	-

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, optometry, audiology, 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”), a tax-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 supports grants. DUO was created on July 1, 2015, as the successor entity to the former for-profit operations of Drexel eLearning, Inc., which merged with and into DUO on that date. On June 30, 2025, Drexel University Online, LLC (“DUO”) was dissolved, and its operations and activities were merged into the University.

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,

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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 non-profit Pennsylvania, single member limited liability company established on 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.

Drexel Global India Private Limited

Drexel University has established Drexel Global India Private Limited (“Drexel PLC”), an Indian private limited company, to facilitate international academic activities. Drexel University holds a 99.99% ownership interest in Drexel PLC, with the remaining 0.01% held by Drexel Global Initiatives, LLC, as a nominee shareholder. Drexel PLC will in turn hold a 99.99% interest in Drexel NPC, a not-for-profit company to be incorporated in India, with the remaining 0.01% to be held by a nominee shareholder as required under Indian law.

DUC, LLC

DUC, LLC is a Pennsylvania limited liability company established on December 13, 2013, of which the University has 95% ownership, with the remaining 5% held by API. 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”) constructed and developed 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 (“Powel/SLA-MS”). 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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

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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 GP, Inc. (“1200 Chestnut GP”), a Pennsylvania corporation, is the sole general partner in 1200 Chestnut Street I, LP (the “Partnership”). 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. 1200 Chestnut GP was formed as a for-profit single purpose entity to act as the general partner of the Partnership in connection with the historic rehabilitation of the 1200-1202 Chestnut Street property in a manner intended to qualify for the historic rehabilitation tax credit described in Section 47 of the Internal Revenue Code of 1986, as amended. 1200 Chestnut GP is no longer active. The underlying property has been transferred back to the University, and the Partnership is in the process of being formally dissolved. Final tax filings and other wind-down activities have been completed in connection with the dissolution. 1200 Chestnut GP follows a calendar based fiscal year.

1200 Chestnut Street I, Limited Partnership

1200 Chestnut Street I, LP, a Pennsylvania limited partnership (the “Partnership”), was formed on November 28, 2016, to acquire, own, rehabilitate and lease, manage and operate Partnership property in a manner that was intended to 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 land and historic building located at 1200-1202 Chestnut Street, Philadelphia, Pennsylvania 19107. The general partner is 1200 Chestnut Street GP, which held a 1% interest in 1200 Chestnut LP. On February 7, 2023, the “Flip Date” (as defined in the Partnership Agreement) occurred resulting in 1200 Chestnut GP’s ownership interest being increased to 95% with the University acquiring the remaining 5% ownership interest. The Partnership also transferred fee ownership in the Property to the University. The University meets the requirements for consolidation of the Partnership through its 100% ownership of 1200 Chestnut GP and direct ownership of the remaining 5% limited partnership interest in the Partnership. The Partnership is no longer active. The underlying property was transferred back to the University, and the Partnership is in the process of being formally dissolved. Final tax filings and other wind-down activities have been completed in connection with the dissolution. The Partnership 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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

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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.

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. The financial information of all subsidiaries has been consolidated in accordance with the University’s fiscal year for reporting purposes.

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.

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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, 2025 and 2024 are as follows:

<i>(in thousands)</i>	2025	2024
Total assets at year-end	\$ 3,076,612	\$ 3,036,329
Less: non-financial and financial assets not available within one year		
Restricted cash	(14,115)	(15,133)
Tuition receivable due in more than one year	(6,823)	(5,566)
Contributions receivable with donor restrictions	(58,882)	(63,677)
Loans receivable due in more than one year	(9,544)	(11,059)
Prepaid expenses and other assets	(127,472)	(100,708)
Malpractice insurance trust	(6,704)	(7,780)
Beneficial Interests in trusts	(47,492)	(45,414)
Investments	(1,079,976)	(1,023,279)
Land, buildings and equipment, net	(1,061,141)	(1,086,564)
Finance lease right-of-use (ROU) asset	(7,765)	(12,894)
Operating lease right-of-use (ROU) asset	(451,435)	(472,111)
Financial assets available at year-end for current use	\$ 205,263	\$ 192,144

As of June 30, 2025, the University has \$205,263,000 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.

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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 2025 and 2024, the Board of Trustees approved the spending of endowment resources to 6.00% and 7.00%, respectively, of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS in which the Board of Trustees approved a distribution to 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 \$51,675,000 and \$53,309,000 in fiscal years 2025 and 2024, 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 \$170,000,000, of which the University drew down \$30,000,000 as of June 30, 2025. Additionally, the University has a board-designated endowment of \$371,945,000 as of June 30, 2025. 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, 2025, and 2024, 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 a 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.

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

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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.

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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 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, merger and restructuring costs.

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.

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Recently Adopted 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 has adopted the standard effective July 1, 2023. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The ASU clarifies that contractual restrictions on the sale of equity securities should not be considered part of the unit of account of such securities and, therefore, should not be considered in fair value measurements. ASU No. 2022-03 is effective for fiscal years beginning after Dec. 15, 2024, with early adoption permitted. The University has adopted the standard effective July 1, 2024. The adoption of this guidance did not have a material impact on the consolidated financial statements.

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. The University has adopted the standard effective July 1, 2023. The adoption of this guidance did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In March 2023, the FASB issued ASU No. 2023-02, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a Consensus of the Emerging Issues Task Force)*. The ASU expands use of the proportional amortization method of accounting to equity investments in tax credit programs beyond those in low-income-housing tax credit (LIHTC) programs. ASU 2023-02 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The University is currently evaluating the standard to determine the potential impact on its consolidated 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

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15, 2024, with early adoption permitted. The University is currently evaluating the standard to determine the potential impact on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require enhanced disclosures about income taxes, including consistent categories and disaggregation of information in the rate reconciliation and expanded disclosures regarding income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The University is currently evaluating the guidance to determine the potential impact 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, 2025, and 2024 were as follows:

<i>(in thousands)</i>	2025	2024
Tuition	\$ 85,625	\$ 74,188
Grants, contracts, and other	94,449	110,064
Patient, net of contractual allowance	3,317	1,516
St. Christopher Hospital for Children	129	-
Accounts receivable, gross	183,520	185,768
Allowance for doubtful accounts:		
Tuition	(6,146)	(5,378)
Grants, contracts, and other	(8,516)	(6,553)
Patient	(938)	(67)
Accounts receivable	\$ 167,920	\$ 173,770

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 \$15,925,000 and \$17,696,000 at June 30, 2025 and 2024, 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

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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, 2025 and 2024, student loans consisted of the following:

<i>(in thousands)</i>	2025	2024
Federal government loan programs:		
Perkins loan program	\$ 3,157	\$ 4,279
Health professions student loans and loans for disadvantaged students	8,512	8,742
National direct student loans	640	979
Federal government loan programs	12,309	14,000
Institutional loan programs	3,725	4,022
Student loans receivable, gross	16,034	18,022
Less: Allowance for doubtful accounts	(3,129)	(3,417)
Student loans receivable	\$ 12,905	\$ 14,605

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, 2025 and June 30, 2024 that range between 3.72% to 4.24% and 4.33% to 4.71%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC 820-10 (Note 6).

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Net contributions receivable at June 30 were as follows:

<i>(in thousands)</i>	2025	2024
Amounts due in		
Less than one year	\$ 19,705	\$ 19,625
One to five years	25,674	31,573
Greater than five years	24,995	26,172
Contributions receivable, gross	70,374	77,370
Less:		
Allowance for uncollectibles	(1,686)	(1,845)
Discounts to present value	(9,806)	(11,848)
Contributions receivable, net	\$ 58,882	\$ 63,677

As of June 30, 2025 and June 30, 2024, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of \$159,299,000 and \$155,927,000, 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, 2025 and 2024, the fair value of the malpractice insurance trust and investments included the following:

<i>(in thousands)</i>	Fair value	
	2025	2024
Money market funds	\$ 58,336	\$ 36,309
U.S. equity	197,942	184,280
Global equity	172,708	225,028
Fixed income securities and bond funds	149,748	111,282
Real estate and real assets funds	102,225	93,537
Hedge funds	53,422	44,715
Private equity	227,390	210,219
Directly-held real estate	104,822	103,365
Total endowment investments	1,066,593	1,008,735
Self-insurance escrow funds	25,689	31,169
Interest in a partnership	(29,956)	(35,250)
Other investments	17,652	18,625
Total investments	1,079,977	1,023,279
Malpractice insurance trust	6,704	7,780
Total investments and malpractice insurance trust	\$ 1,086,681	\$ 1,031,059

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.

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The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2025 and 2024:

<i>(in thousands)</i>	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, net of expenses	\$ 7,271	\$ 16,618	\$ 23,889
Realized/unrealized gain	29,859	46,948	76,807
Endowment payout under spending formula	(24,692)	(26,983)	(51,675)
Realized/unrealized gain on investments, net of endowment payout and expenses	12,438	36,583	49,021
Operating investment income, net	12,180	880	13,060
Total return on investments	\$ 24,618	\$ 37,463	\$ 62,081

<i>(in thousands)</i>	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, net of expenses	\$ 3,623	\$ 9,159	\$ 12,782
Realized/unrealized gain	16,733	39,193	55,926
Endowment payout under spending formula	(22,832)	(30,477)	(53,309)
Realized/unrealized (loss) / gain on investments, net of endowment payout and expenses	(2,476)	17,875	15,399
Operating investment income, net	12,286	1,873	14,159
Total return on investments	\$ 9,810	\$ 19,748	\$ 29,558

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

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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 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 include 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.

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As of June 30, 2025, and 2024, assets and liabilities at fair value were as follows:

	2025				
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	\$ -	\$ -	\$ 47,386	\$ -	\$ 47,386
Malpractice insurance trust	6,704	-	-	-	6,704
Investments					
Money market funds	58,336	-	-	-	58,336
U.S. Equity	176,273	-	-	21,669	197,942
Global Equity	111,343	-	-	61,365	172,708
Fixed Income securities and bond funds	85,231	1,505	-	63,012	149,748
Real estate and real assets funds	-	-	6,050	96,175	102,225
Hedge funds	3,168	-	-	50,254	53,422
Private Equity	-	-	-	227,390	227,390
Directly-held real estate	-	-	104,822	-	104,822
Investments held in endowment	434,351	1,505	110,872	519,865	1,066,593
Self-insurance escrow funds	25,689	-	-	-	25,689
Other investments	16,092	-	-	1,560	17,652
Total investments	476,132	1,505	110,872	521,425	1,109,934
Total assets measured at fair value	\$ 482,836	\$ 1,505	\$ 158,258	\$ 521,425	\$ 1,164,024
Liabilities					
Split-interest agreements	-	-	1,507	-	1,507
Annuities	-	-	3,799	-	3,799
Total liabilities measured at fair value	\$ -	\$ -	\$ 5,306	\$ -	\$ 5,306

	2024				
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	\$ -	\$ -	\$ 45,255	\$ -	\$ 45,255
Malpractice insurance trust	7,780	-	-	-	7,780
Investments					
Money market funds	36,309	-	-	-	36,309
U.S. Equity	184,280	-	-	-	184,280
Global Equity	144,745	-	-	80,283	225,028
Fixed Income securities and bond funds	68,551	1,400	-	41,331	111,282
Real estate and real assets funds	-	-	5,250	88,287	93,537
Hedge funds	2,956	-	-	41,759	44,715
Private Equity	-	-	-	210,219	210,219
Directly-held real estate	-	-	103,365	-	103,365
Investments held in endowment	436,841	1,400	108,615	461,879	1,008,735
Self-insurance escrow funds	31,169	-	-	-	31,169
Other investments	15,379	-	-	3,246	18,625
Total investments	483,389	1,400	108,615	465,125	1,058,529
Total assets measured at fair value	\$ 491,169	\$ 1,400	\$ 153,870	\$ 465,125	\$ 1,111,564
Liabilities					
Split-interest agreements	-	-	1,661	-	1,661
Annuities	-	-	5,265	-	5,265
Total liabilities measured at fair value	\$ -	\$ -	\$ 6,926	\$ -	\$ 6,926

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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:

(in thousands)	Fair Value	Unfunded Commitments	2025	Redemption Notice Period (If Applicable)
			Redemption Terms (If Currently Eligible)	
Hedge funds:				
Multi-Strategy Hedge Funds (a)	\$ 10,496	\$ -		
Distressed Debt Hedge Funds (b)	32,659	-		
Real Estate Hedge Funds (c)	<u>7,099</u>	<u>-</u>	Quarterly	60 days
Subtotal Hedge funds	50,254	-		
Private Equity:				
Private Capital Funds-Secondaries (d)	2,649	2,834		
Private Capital Funds-Venture Capital (e)	946	198		
Private Capital Funds-Buy-out (f)	114,158	39,576		
Private Capital Funds-Debt (g)	18,124	7,170		
Private Capital Funds-Real Asset Funds (h)	72,828	42,603		
Private Capital Funds-Real Estate Funds (i)	18,679	7,130		
Private Capital Funds-Hedge Fund Seeder (j)	<u>6</u>	<u>222</u>		
Subtotal Private Equity	227,390	99,732	Close-ended funds not available for redemption	
US Equity (k)	21,669	-		
Global Equity (k)	61,365	-		
Fixed Income Securities and Bond Funds (k)	63,012	-		
Real Estate and Real Assets Funds (k)	96,175	-		
Other investments (k)	<u>1,560</u>	<u>-</u>		
	\$ 521,425	\$ 99,732		

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2025, 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.

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- b. This category includes investments in hedge funds that invest in debt of companies in or facing bankruptcy. As of June 30, 2025, the composite portfolio includes 96% in an opportunistic credit strategy that invests in liquid and special situation credits, and 4% 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 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.
- 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. As of June 30, 2025, 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, 2024, 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.
- 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. As of June 30, 2025, 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, 2024, 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 in buyouts. A buyout is the 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, 2025, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 67% over 1 to 4 years; 29% in 5 to 7 years; and 4% in 8 to 10 years. As of June 30, 2024, the liquidation periods were expected to be: 58% over 1 to 4 years; 36% in 5 to 7 years; and 6% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

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- g. 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, 2025, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 62% in 1 to 4 years and 38% in 8 to 10 years. As of June 30, 2024, the liquidation periods were expected to be: 36% in 1 to 4 years; 39% in 5 to 7 years; and 25% 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 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, 2025, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 52% in 1 to 4 years; 30% in 5 to 7 years; and 18% in 8 to 10 years. As of June 30, 2024, the liquidation periods were expected to be: 49% in 1 to 4 years; 44% in 5 to 7 years; and 7% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real asset fund.
- i. 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, 2025, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 56% in 1 to 4 years and 44% in 5 to 7 years. As of June 30, 2024, the liquidation periods were expected to be: 46% in 1 to 4 years; 21% in 5 to 7 years; and 33% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate fund.
- j. 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, 2025, 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. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- k. 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. The majority of these investments are commingled funds.

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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 \$6,050,000. 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, 2025, and 2024, the University had an endowment spending rule that limited the spending of endowment resources to 6.00% and 7.00% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS. For the fiscal years ended June 30, 2025, and 2024, 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 5.00%).

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.

Drexel University and Subsidiaries
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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 \$139,000 and \$1,221,000 as of June 30, 2025 and 2024, respectively. The original gift amount and the fair value of underwater endowment funds in the aggregate were \$2,704,000 and \$2,565,000 as of June 30, 2025 and \$41,763,000 and \$40,542,000 as of June 30, 2024, respectively.

The net asset balances for the endowment composition by fund as of June 30, 2025, and 2024 were as follows:

<i>(in thousands)</i>	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 758,916	\$ 758,916
Board-designated endowment funds	371,945	-	371,945
Total assets	\$ 371,945	\$ 758,916	\$ 1,130,861

<i>(in thousands)</i>	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 698,779	\$ 698,779
Board-designated endowment funds	367,370	-	367,370
Total assets	\$ 367,370	\$ 698,779	\$ 1,066,149

Drexel University and Subsidiaries
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Changes in the University's endowment assets (excluding annuities and trusts) and for the years ended June 30, 2025 and 2024 were as follows:

<i>(in thousands)</i>	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, at beginning of year	\$ 367,370	\$ 698,779	\$ 1,066,149
Endowment return:			
Investment income, net of fees	7,271	16,618	23,889
Net realized/unrealized gain	22,423	53,832	76,255
Total endowment return	29,694	70,450	100,144
Contributions	1,022	26,126	27,148
Use of endowment assets:			
Endowment payout used in operations	(15,511)	(36,164)	(51,675)
Other	(10,630)	(275)	(10,905)
Total uses of endowment assets	(26,141)	(36,439)	(62,580)
Endowment, at end of year	\$ 371,945	\$ 758,916	\$ 1,130,861

<i>(in thousands)</i>	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, at beginning of year	\$ 308,565	\$ 653,626	\$ 962,191
Endowment return:			
Investment income, net of fees	3,623	9,159	12,782
Net realized/unrealized gain	16,614	43,976	60,590
Total endowment return	20,237	53,135	73,372
Contributions	2,010	20,077	22,087
Endowments acquired from Salus University	51,175	10,868	62,043
Use of endowment assets:			
Endowment payout used in operations	(14,617)	(38,693)	(53,310)
Other	-	(234)	(234)
Total uses of endowment assets	(14,617)	(38,927)	(53,544)
Endowment, at end of year	\$ 367,370	\$ 698,779	\$ 1,066,149

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

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Endowment Loan

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 addresses the needs of the building envelope and modernizes the building throughout to provide an improved living experience and includes 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, are directly applied to the outstanding principal balance of the loan investment. The University incurs 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, 2025 and 2024, the University borrowed \$40,000,000 for the project.

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 \$2,571,000 and \$5,346,000 at June 30, 2025 and \$1,275,000 and \$3,960,000 at June 30, 2024, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the Consolidated Statements of Financial Position.

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.

On June 28, 2024, the University sold the Stiles Residence Hall, located at 325 North 15th Street, an approximately 186,330 sq. ft. building on the University's Center City campus. The net proceeds received from the sale of the property, related taxes and fees, was \$16,268,000 resulting in a gain of \$11,540,000 included in other income in the Consolidated Statements of Activities.

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

<i>(in thousands)</i>	2025	2024
Works of art	\$ 10,941	\$ 10,859
Land and improvements	170,030	154,443
Buildings and improvements	1,432,636	1,420,659
Equipment, software and library books	228,014	221,449
Construction in progress	16,296	28,255
Land, buildings, and equipment, gross	1,857,917	1,835,665
Less: Accumulated depreciation	(796,776)	(749,101)
Land, buildings, and equipment, net	\$ 1,061,141	\$ 1,086,564

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.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
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The components of lease expense for the fiscal year ended June 30, 2025, and 2024 are as follows:

<i>(in thousands)</i>	2025	2024
Lease Expense:		
Finance lease expense		
Amortization of ROU assets	1,065	1,117
Interest on lease liabilities	50	69
Operating lease expense	44,202	45,089
Short-term lease expense	2,147	1,029
Variable lease expense	24,142	24,136
Total	71,606	71,440

Other Information

Cash paid for amounts included in the measurement of lease liabilities for finance leases

Finance - Financing cash flows	1,176	1,324
Finance - Operating cash flows	50	69
Operating - Operating cash flows	41,591	41,399

ROU assets obtained in the exchange for lease liabilities

Finance leases	102	609
Operating leases	2,772	4,944

Weighted-average remaining lease terms (in years)

Finance leases	39.43	36.48
Operating leases	24.22	24.7

Weighted-average discount rate

Finance leases	0.61%	0.88%
Operating leases	3.73%	3.70%

Minimum lease payments as of June 30, 2025 were as follows:

	Finance	Operating
07/01/2025 - 06/30/2026	917	40,068
07/01/2026 - 06/30/2027	839	38,542
07/01/2027 - 06/30/2028	241	30,579
07/01/2028 - 06/30/2029	201	29,021
07/01/2029 - 06/30/2030	123	29,417
Thereafter	5,488	754,738
Total	7,809	922,365
Less: Present value discount	(43)	(353,070)
Lease liability	7,766	569,295

Drexel University and Subsidiaries

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In August 2024, the University executed a 20-year long-term operating lease agreement with Gattuso for space located at 3201 Cuthbert (Floors 0 and 1). Although the lease has been fully executed, the right-of-use lease liability of \$37.0 million and right-of-use lease asset of \$32.7 million have not been recognized as of June 30, 2025, because the University has not yet obtained control of the leased premises. Consistent with ASC 842, lease commencement is defined as the date the lessor makes the underlying asset available for use by the lessee. As of year-end, the landlord had not delivered possession, and the University did not have the ability to access or use the space. Accordingly, no amounts have been recorded in the financial statements related to this lease as of June 30, 2025.

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 \$6,105,000 and \$6,229,000 at June 30, 2025 and 2024, 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.

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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, 2025, and 2024 of \$8,450,000 and \$8,750,000, respectively. The University recognized \$300,000 of ground lease income related to this agreement during fiscal years 2025 and 2024.

The University entered into a 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.

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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 2025 and 2024.

On October 2, 2015, the University entered into a ground lease agreement with RPG 32 Race, LP (“RPG”) for the 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 2025 and 2024.

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.”

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Schuylkill Yards is contemplated to be developed in six phases over approximately 20 years, excluding extension options, and will consist of approximately 5,000,000 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 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. 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

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percent (6%). All basic and matching contributions are subject to certain Internal Revenue Code limitations.

As part of Salus University's acquisition, the Salus 403(b) plan was frozen for all contributions as of June 30, 2024, the merger date. Effective July 1, 2024, all Salus eligible employees became Drexel employees and were invited to participate in the Plan. Salus employees will be eligible to receive the same employer contributions based on the same criteria as Drexel employees.

The University suspended the 403b employer contributions to employee retirement plans for the calendar year 2025. The suspension is part of a multi-year plan to build financial resilience.

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 \$21,200,000 and \$18,199,000 as of June 30, 2025, and 2024.

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 \$27,005,000 and \$43,041,000 in 2025 and 2024, 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:

<i>(in thousands)</i>	2025	2024
Weighted average assumptions as of June 30		
Discount rate	5.60 %	5.60 %
Expected return on plan assets	5.70 %	6.00 %
Accumulated benefit obligation		
Accumulated benefit obligation at June 30	\$ 14,699	\$ 15,256
Change projected in benefit obligation		
Net benefit obligation at June 30	\$ 15,256	\$ 15,786
Service costs	200	290
Interest costs	817	848
Actuarial gain	(90)	(145)
Gross benefits paid	(1,484)	(1,523)
Net benefit obligation at June 30	\$ 14,699	\$ 15,256

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<i>(in thousands)</i>	2025	2024
Change in plan assets		
Fair value of plan assets, at beginning of year	\$ 16,016	\$ 15,489
Actual return on plan assets	1,434	1,272
Employer contributions	550	778
Gross benefits paid	(1,484)	(1,523)
Fair value of plan assets, at June 30	\$ 16,516	\$ 16,016
Fair value of plan assets, at June 30	\$ 16,516	\$ 16,016
Benefit obligation	14,699	15,256
Net amount recognized, at June 30*	\$ 1,817	\$ 760

* 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:

<i>(in thousands)</i>	2025	2024
Weighted average assumptions used to determine net periodic benefit costs		
Discount rate	5.60 %	5.60 %
Expected return on plan assets	6.00 %	6.50 %
Components of net periodic benefit costs		
Service costs	\$ 200	\$ 290
Interest costs	817	848
Expected return on assets	(943)	(996)
Amortization of actuarial gain	(581)	(422)
Net periodic benefit cost	\$ (507)	\$ (280)

As of June 30, 2025, and 2024, 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 \$14,699,000 and \$15,256,000 at June 30, 2025 and 2024, respectively. The fair value of the plan assets was \$16,516,000 and \$16,016,000 as of June 30, 2025, and 2024, respectively.

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

Expected benefit payments

(in thousands)

June 30,	
2026	1,332
2027	1,335
2028	1,315
2029	1,290
2030	1,253
2031-2035	5,669

Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2025 and 2024 by asset category are as follows:

	2025	2024
Asset category		
Equity securities	12.0 %	27.4 %
Hedge fund and alternative investments	86.6 %	70.3 %
Cash	1.4 %	2.3 %
	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 plan assets is characterized as 10%, 2%, 3%, and 85% allocation between equity, alternative investments, cash, and a liability matching strategy. The asset portfolio currently utilizes indexed and actively managed equity funds, fixed income funds (for the liability matching strategy), and one alternative investment vehicle, currently allocated to real estate. The change in the asset portfolio's target allocations was due to the increase in funded status of the plan (over 100% funded). The liability matching strategy refers to a fixed income allocation managed towards achieving a target duration close or equal to the pension plan liabilities. As the funded status has improved, there is now a higher degree of focus on risk management versus return generation. The remaining investments allow the ANS 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.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The following tables present the plan assets at fair value as of June 30, 2025, and 2024 according to the valuation hierarchy (Note 6):

<i>(in thousands)</i>	2025					Investments at NAV	Total
	Level 1	Level 2	Level 3				
Assets, at fair value							
Cash equivalents	\$ 224	\$ -	\$ -		\$ -	\$ 224	
Mutual funds	1,997	-	-		-	1,997	
Alternative investments	-	-	-		14,295	14,295	
	\$ 2,221	\$ -	\$ -		\$ 14,295	\$ 16,516	

<i>(in thousands)</i>	2024					Investments at NAV	Total
	Level 1	Level 2	Level 3				
Assets, at fair value							
Cash equivalents	\$ 366	\$ -	\$ -		\$ -	\$ 366	
Mutual funds	4,394	-	-		-	4,394	
Alternative investments	-	-	-		11,256	11,256	
	\$ 4,760	\$ -	\$ -		\$ 11,256	\$ 16,016	

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

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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 \$1,656,000 and \$554,000 respectively, for the years ended 2025 and 2024 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

<i>(in thousands)</i>	2025	2024
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 19,260	\$ 21,295
Service cost	31	32
Interest cost	985	1,030
Actuarial (gain)/loss	433	(636)
Plan participant contributions	592	570
Actual benefits paid	(3,161)	(3,031)
Benefit obligation, end of year	18,140	19,260
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	2,569	2,461
Plan participant contributions	592	570
Actual benefits paid	(3,161)	(3,031)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan*	\$ 18,140	\$ 19,260

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

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Weighted average assumptions to determine benefit obligations and net cost as of June 30

Discount rate - benefit obligations	5.32%	5.48%
Discount rate - benefit cost	5.48%	5.27%
Ultimate retiree health care cost trend	4.50%	4.50%
Year ultimate trend rate is achieved	2034	2034

Net Periodic Benefit Cost

(in thousands)

	2025	2024
Components of net periodic benefit cost		
Service cost	\$ 31	\$ 32
Interest cost	985	1,030
Amortization of:		
Prior service credit	(1,536)	(1,536)
Net loss	314	346
Net periodic benefit cost	\$ (206)	\$ (128)
Other changes recognized in net assets without restrictions		
Net actuarial gain	\$ 433	\$ (636)
Amortization of:		
Prior service cost	1,536	1,536
Net loss	(314)	(346)
Total recognized in net assets without restrictions	\$ 1,655	\$ 554
Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions		
Prior service credit	\$ (9,032)	\$ (10,568)
Actuarial loss	6,223	6,103
Amounts in unrestricted net assets, end of year	\$ (2,809)	\$ (4,465)
Amounts in net assets without restrictions expected to be recognized in net periodic benefit cost		
Prior service credit	\$ (1,536)	
Actuarial loss	\$ 349	

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For the fiscal years ended June 30, 2025, and 2024, the effect of a 1% change in the health care cost trend rate is as follows:

<i>(in thousands)</i>	2025		2024	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 8	\$ \$ (9)	\$ 10	\$ \$ (10)
Effect on postretirement benefit obligation	82	(85)	116	(128)

Contributions

Expected contributions for the 2026 fiscal year are \$2,119,000.

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:

<i>(in thousands)</i>	
June 30,	
2026	2,119
2027	2,101
2028	2,045
2029	1,949
2030	1,841
Thereafter	7,478

Salus University provided full-time employees hired before October 23, 2003 with post-retirement benefits other than pension, primarily medical and life insurance coverage.

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The following tables provide information with respect to Salus University's other post-retirement plan for the years ended June 30, 2025, and 2024:

Reconciliation of Benefit Obligation, Plan Assets, and Funded Status

<i>(in thousands)</i>	2025	2024
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 5,904	\$ 6,788
Service cost	3	12
Interest cost	263	309
Plan participant contributions	16	14
Amendments	-	(323)
Actuarial gain	(1,316)	(538)
Actual benefits paid	(298)	(358)
Benefit obligation, end of year	4,572	5,904
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	282	344
Plan participant contributions	16	14
Actual benefits paid	(298)	(358)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan*	\$ 4,572	\$ 5,904

* 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	5.15%	5.30%
Current Year Health Care Cost Trend Rate	6.75%	7.00%
Ultimate Health Care Cost Trend Rate	5.00%	5.00%
Years Until Ultimate is Reached	7	8

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Net Periodic Benefit Cost

(in thousands)

	2025	2024
Components of net periodic benefit cost		
Service cost	\$ 3	\$ 12
Interest cost	263	309
Amortization of:		
Prior service credit	-	(323)
Net gain	(1,161)	(505)
Net periodic benefit cost	\$ (895)	\$ (507)
Other changes recognized in net assets without restrictions		
Net actuarial gain	\$ (1,316)	\$ (538)
Total recognized in net assets without restrictions	\$ (155)	\$ (33)
Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions		
Actuarial gain	(3,092)	(2,937)
Amounts in unrestricted net assets, end of year	\$ (3,092)	\$ (2,937)
Amounts in net assets without restrictions expected to be recognized in net periodic benefit cost		
Actuarial gain	\$ (1,181)	

Sensitivity Analysis

The obligations are not significantly impacted by the health care cost trend assumption because current health care premiums are greater than or are approaching the University's maximum monthly payment and the health care cost trend assumption is greater than the 3% annual inflation factor that the University may apply to increase the maximum monthly payment.

Contributions

Expected contributions for the 2026 fiscal year are \$393,000.

Estimated future benefit payments

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

(in thousands)

June 30,	
2026	393
2027	411
2028	435
2029	422
2030	415
Thereafter	1,852

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12. Bonds and Notes Payable

Bonds and notes payable at June 30, 2025 and 2024 are as follows:

<i>(in thousands)</i>	Project	Final Maturity	Effective Interest Rate at June 30, 2025	2025	2024
Fixed rate debt obligations					
Drexel University					
Pennsylvania Higher Education Facilities Authority (PHEFA)					
Series of 2016	Refunding	2022-2037	3.00-5.00%	111,130	113,835
Series of 2017	Refunding	2018-2041	4.00-5.00%	85,580	90,690
Series of 2020A	Refunding and capital improvements	2021-2050	4.00-5.00%	125,795	127,830
Series of 2020B (Federally Taxable)	Refunding	2021-2041	1.97-3.27%	15,150	15,715
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
North Penn Health Revenue Bonds					
Series of 2020	Refunding and capital improvements	2025-2031	1.80%	12,305	12,686
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				482,210	493,006
Line of Credit				30,000	20,000
Unamortized original issue premiums/discounts and cost of issuance, net				39,805	42,114
Total bonds and notes payable				\$ 552,015	\$ 555,120

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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, 2025 and 2024.

The North Penn Health, Hospital and Education Authority Fixed Rate Revenue Bonds require that the University maintain certain financial covenants. The University was in compliance with these financial covenants at June 30, 2025 and 2024.

Debt maturities for the fiscal years ending are as follows:

<i>(in thousands)</i>	Total Debt
2026	11,303
2027	13,937
2028	14,904
2029	15,378
2030	16,206
Thereafter	410,482
	\$ 482,210
Cost of issuance	(8,141)
Unamortized premiums	47,946
	522,015

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Lines of Credit

The University has 50% Secured Revolving Credit Facilities (“Facilities”) of \$85,000,000 and \$15,000,000 that matures on June 26, 2026. On December 1, 2022, the interest started accruing based upon Term SOFA plus 0.2%. The line of credit can be extended annually based upon the agreement of the University and the bank maintaining the Facilities. On June 30, 2025, and 2024, the outstanding amount was \$30,000,000 and \$20,000,000 respectively.

The University renewed a \$35,000,000 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 adjusted term SOFR plus 1.25%. On June 30, 2025, and 2024, there were no outstanding amounts.

The University renewed another \$35,000,000 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 one month secured overnight SOFR plus 1.25 percent. On June 30, 2025, and 2024, there were no outstanding amounts.

13. Net Assets

Net assets included the following:

<i>(in thousands)</i>	2025	2024
Without donor restrictions:		
Operating	\$ (568,317)	\$ (525,057)
Physical plant	792,045	786,959
Quasi-endowment funds	371,945	367,370
Total net assets without donor restrictions	595,673	629,272
With donor restrictions:		
<u>Temporarily Restricted</u>		
Funds for programs and capital expenditures	134,125	129,022
Funds for endowments	273,267	242,943
Life income annuities	2,867	2,553
Beneficial interests in trusts	5,802	5,506
<u>Permanently Restricted</u>		
Funds for endowments	485,649	455,836
Life income annuities	6,481	4,590
Beneficial interests in trusts	40,674	38,737
Student loans and others	9,173	8,968
Total net assets with donor restrictions	958,038	888,155
Total net assets	\$ 1,553,711	\$ 1,517,427

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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, 2025, and 2024:

(in thousands)

2025

	Tuition and Fees	Room and Board	Institutional Financial Aid	Total
Undergraduate	\$ 703,842	\$ 42,756	\$ (328,229)	\$ 418,369
Graduate	341,156	452	(41,413)	300,195
Tuition and fees, room and board	\$ 1,044,998	\$ 43,208	\$ (369,642)	\$ 718,564

(in thousands)

2024

	Tuition and Fees	Room and Board	Institutional Financial Aid	Total
Undergraduate	\$ 703,149	\$ 48,560	\$ (324,636)	\$ 427,073
Graduate	285,710	1,094	(39,303)	247,501
Tuition and fees, room and board	\$ 988,859	\$ 49,654	\$ (363,939)	\$ 674,574

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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, 2025 and 2024 respectively:

<i>(in thousands)</i>	2025	2024
Medicine	\$ 22,880	\$ 17,976
Nursing and Other	4,903	5,496
Psychiatry	538	536
Total physician services	\$ 28,321	\$ 24,008

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 outlined 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, 2025, and 2024:

<i>(in thousands)</i>	2025		
	Without donor restrictions	With donor restrictions	Total
Government grants and contracts:			
Federal	124,418	1,032	125,450
State	6,668	923	7,591
Local	1,475	-	1,475
Private grants and contracts	4,481	23,207	27,688
Total grants and contracts	137,042	25,162	162,204

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(in thousands)

	2024	
	Without donor restrictions	With donor restrictions
		Total
Government grants and contracts:		
Federal	125,699	2,810
State	3,130	1,567
Local	1,108	97
Private grants and contracts	6,765	18,903
Total grants and contracts	136,702	23,377

As of June 30, 2025, and 2024, the University has outstanding unrecorded conditional grants receivable of \$139,720,000 and \$149,920,000, 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, 2025 consist of the following:

(in thousands)

	2025			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 431,042	\$ 74,882	\$ 11,846	\$ 517,770
Employee benefits	105,033	18,303	2,916	126,252
Depreciation and amortization	53,212	4,294	14	57,520
Interest	18,384	1,801	-	20,185
Other operating expenses	289,096	96,131	3,246	388,473
Total expenses	\$ 896,767	\$ 195,411	\$ 18,022	\$ 1,110,200

Expenses by functional classification for the year ended June 30, 2024 consist of the following:

(in thousands)

	2024			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 400,025	\$ 69,702	\$ 11,550	\$ 481,277
Employee benefits	113,754	19,866	3,306	136,926
Depreciation and amortization	51,381	3,870	14	55,265
Interest	18,083	1,473	-	19,556
Other operating expenses	311,248	69,003	3,698	383,949
Total expenses	\$ 894,491	\$ 163,914	\$ 18,568	\$ 1,076,973

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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 any events incurred after July 1, 2020, Drexel changed the excess malpractice insurance with the closure of the Physician Practice Plan. Dragon Risk was replaced with commercial insurance of \$15,000,000 excess coverage which attaches at \$1,000,000 above the self-insurance layer.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2025 and 2024, the University and its subsidiaries recorded gross combined reserves of \$20,340,000 and \$12,297,000, respectively and related recoveries from third party insurers of \$7,466,000 and \$4,608,000, respectively. For fiscal years 2025 and 2024, 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 2025 and 2024 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, 2025 and 2024, self-insurance escrow funds and malpractice insurance trust consisting of mutual funds and fixed income securities amounted to \$32,387,000 and \$38,949,000 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.

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Litigation

The litigation between United Educators' Insurance and the University for breach of contract in relation to the general liability coverage for medical professionals was settled in June 2024. There was also litigation between various patients of a former employee and the University in relation to sexual assault and medical malpractice, which was settled in May 2024. As of June 30, 2025, the University has accrued for all 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 two letters of credit totaling \$1,200,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2025 and 2024.

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, 2026, and is automatically renewed annually unless notified by the University of an election not to renew. There were no amounts outstanding as of June 30, 2025 and 2024.

As part of the Salus acquisition, the U.S. Department of Education required a Letter of Credit equal to fifty percent of the Department of Education student financial aid provided to the institution being acquired as a condition of their review requirements. On July 1, 2024 the University obtained a \$22.8 million letter of credit for that purpose. Effective April 2025, the Department of Education reduced the required amount to \$4.4 million, with all other terms and conditions remaining unchanged. The Department has indicated that the letter of credit will be released following submission and acceptance of the University's first full annual financial statements post-merger.

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

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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, 2025 and 2024, the University recorded \$2,963,000 and \$412,000 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 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 runs 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 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.

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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, 2025, and 2024, the University has recorded the value of its interest in a partnership for St. Christopher's Hospital of (\$30.0 million) and (\$35.3 million), respectively, within investments (Note 5). Drexel's share of the operating gains of \$5.3 million and operating losses of (\$7.2 million) have been reflected within realized and unrealized gains/(losses) on investments as of June 30, 2025 and 2024, 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, 2025, and 2024, 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. In fiscal year 2022, 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 was distributed in three equal installments on June 30, 2021, June 30, 2022, and June 30, 2023. The purpose of the grant was 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 is distributed in three equal installments on June 30, 2022, June 30, 2023, and June 30, 2024. The purpose of the grant is to further support St. Christopher's leadership retention program.

Drexel University and Subsidiaries

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June 30, 2025 and 2024

As of June 30, 2025 and 2024, the University, acting as an agent for St. Christopher's Hospital, has outstanding conditional pass-through pledges of \$5.0 million and \$10.0 million, respectively. As of June 30, 2025 and 2024, 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 was developed by Wexford Development, LLC on the southern portion of 60 N. 36th Street, Philadelphia, Pennsylvania which was a portion of the tract of land that formerly housed University City High School. The building size was expected to be approximately 459,000 square feet. The building development was aided by a number of financial mechanisms that included a prepaid ground lease between the University and uCity Academic Owner, LLC, resulting in a gain of \$14,201,000 included in other income in the Consolidated Statements of Activities in FY'23, 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 was August 14, 2022 and unless the lease is terminated prior to the Term Expiration Date, the Term Expiration Date shall be July 14, 2052.

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19. Salus University Acquisition

On June 30, 2024, the University acquired the Salus University (“Salus”), where no monetary consideration was exchanged in the transaction. Salus University, founded in 1919, is the Pennsylvania State College of Optometry and based in Elkins Park, has an enrollment of more than 1,100 students and operates three clinical facilities in Philadelphia and Montgomery counties that provide highly specialized vision, hearing and balance, and speech-language pathology services. The merger requires approval from the United States Department of Education (ED) approval, which is expected within a year.

The University assumed responsibility for the fiscal condition of Salus and the management of its financial resources. Salus endowment funds will continue to be used for the benefit of Salus and to support its operations, programs and activities and all restrictions on such funds will continue to be honored.

The merger agreement with Salus was accounted for using the acquisition method of accounting as set forth in ASC topic 958-805, Not-for-Profit Business Combinations, and therefore assets acquired, and liabilities assumed were recorded at estimated fair value. Accordingly, an independent appraisal of Salus land, buildings, and equipment was obtained and adjustments were recorded to increase these assets to fair value of \$55,722,000. The finance lease right-of-use asset and the finance lease liabilities were revalued at \$507,000. The operating lease right-of-use and the operating lease liability were revalued at \$925,000.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date:

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Salus University Statement of Financial Position June 30, 2024 (in thousands)

	2024
Assets:	
Cash, cash equivalents, and restricted cash	
Operating	\$ 2,985
Restricted	3,352
Accounts receivable	3,670
Contributions receivable, net	217
Loans receivable	9,133
Prepaid expenses and other assets	2,274
Investments	64,391
Land, buildings and equipment, net	55,722
Finance lease right-of-use (ROU) asset	507
Operating lease right-of-use (ROU) asset	925
Total assets	\$ 143,176
Liabilities:	
Accounts payable	\$ (3)
Accrued liabilities	1,547
Deposits and deferred revenue	6,837
Finance lease liability	507
Operating lease liability	925
Government advances for student loans	10,717
Accrued retirement obligations	5,904
Bonds and notes payable	12,603
Total liabilities	39,037
Net Assets:	
Without donor restrictions	91,070
With donor restrictions	13,069
Total net assets	104,139
Total liabilities and net assets	\$ 143,176

The University has recognized the excess of net assets acquired over consideration transferred as a non-operating gain in its Consolidated Statement of Activities.

20. Subsequent Events

The University evaluated events subsequent from June 30, 2025 through October 28, 2025, the date at which financial statements were issued.

Gattuso Lease

In September 2025, the Board of Trustees approved the termination of the University's prior lease commitments at 3201 Cuthbert Boulevard (covering portions of Floors 0, 1, and 11) and authorized the execution of a new long-term operating lease with Gattuso Development Partners. The new lease provides for approximately 150,741 rentable square feet on Floors 0 through 3 of the Cuthbert Building for a term of 29 years and 11 months, commencing July 1, 2026.

Drexel University and Subsidiaries
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The lease arrangement includes a turnkey fit-out with an estimated cost of \$85.5 million, substantially financed by the developer, and requires the University to provide capital contribution of approximately \$8.7 million, plus an additional \$5.1 million for furniture, IT systems, and moving costs. The lease is structured as a credit tenant lease (CTL) and will be accounted for as an operating lease under ASC 842.

At lease commencement, the University expects to recognize a right-of-use lease liability of approximately \$322.3 million and a corresponding right-of-use lease asset of approximately \$310.3 million. Straight-line annual base rent over the term is estimated at \$20.2 million, exclusive of operating expenses.

Termination of the Academy of Natural Sciences Defined Benefit Plan

In September 2025, the Board of Trustees approved the termination of the Academy of Natural Sciences Pension Plan, effective February 28, 2026. The Plan Administrator has been authorized to transfer assets and liabilities to one or more insurers and to offer participants settlement options, including lump-sum and annuity distributions.

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