Drexel University and Subsidiaries

Consolidated Financial Statements
For the Years Ended June 30, 2026 and 2025

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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, 2026 and 2025, 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, 2026 and 2025, 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.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
October 28, 2026

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2026 and 2025 (in thousands)

	2026	2025
Assets:		
Cash, cash equivalents, and restricted cash		
Operating	$ 54,412	$ 40,805
Restricted	15,365	14,115
Accounts receivable	156,824	167,920
Contributions receivable, net	49,608	58,882
Loans receivable	10,924	12,905
Prepaid expenses and other assets	122,037	127,472
Malpractice insurance trust	6,920	6,704
Beneficial interests in trusts	50,965	47,492
Investments	1,155,932	1,079,976
Land, buildings and equipment, net	1,067,484	1,061,141
Finance lease right-of-use (ROU) asset	6,964	7,765
Operating lease right-of-use (ROU) asset	425,833	451,435
Total assets	$ 3,123,268	$ 3,076,612
Liabilities:		
Accounts payable	$ 34,473	$ 47,354
Accrued liabilities	102,558	113,507
Deposits and deferred revenue	191,517	193,935
Finance lease liability	6,955	7,766
Operating lease liability	544,071	569,295
Government advances for student loans	15,196	15,916
Accrued retirement obligations	20,598	22,712
Bonds and notes payable	557,601	552,015
Liabilities held for sale	286	401
Total liabilities	1,473,255	1,522,901
Net Assets:		
Without donor restrictions	615,005	595,673
With donor restrictions	1,035,008	958,038
Total net assets	1,650,013	1,553,711
Total liabilities and net assets	$ 3,123,268	$ 3,076,612

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, 2026 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	$ 687,388	$ -	$ 687,388
Grants and contracts	123,935	25,004	148,939
Physician services	27,216		27,216
Auxilliary enterprises	17,636		17,636
Commonwealth appropriations	2,464		2,464
Contributions	18,748	24,460	43,208
Allocation of endowment spending from financial capital	33,587	28,217	61,804
Investment income, net	11,770	790	12,560
Other income	46,198	538	46,736
Total revenues	968,942	79,009	1,047,951
Net assets released from restrictions	76,872	(76,872)	-
Total revenues and releases	1,045,814	2,137	1,047,951
Expenses:			
Salaries and wages	469,824		469,824
Employee benefits	118,253		118,253
Depreciation and amortization	64,933		64,933
Interest	19,504		19,504
Other operating expenses	382,414		382,414
Total expenses	1,054,928	-	1,054,928
(Decrease) / increase in net assets from operating activities	(9,114)	2,137	(6,977)
Non-operating			
Contributions - Endowment and other gifts	(38)	6,369	6,331
Realized / unrealized net gain on investments, net of endowment payout and expenses	23,043	68,464	91,507
Change in funding status of post-retirement and defined benefit plans	(2,623)		(2,623)
Gain on extingishment of debt	7,980		7,980
Other increases	84		84
Increase in net assets from non-operating activities	28,446	74,833	103,279
Total increase in net assets	19,332	76,970	96,302
Net assets, beginning of year	595,673	958,038	1,553,711
Net assets, end of year	$ 615,005	$ 1,035,008	$ 1,650,013

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 Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025 (in thousands)

	2026	2025
Operating activities:		
Increase in net assets	$ 96,302	$ 36,284
Adjustments to reconcile change in net assets to net cash (used in) / provided by operating activities:		
Depreciation and amortization	62,661	54,834
Gain on extinguishment of debt	(7,980)	-
(Gain) / Loss on disposal of assets	(3,038)	1,357
Change in market value in beneficial interests in trusts	(3,473)	(2,078)
Contributions restricted for long-term investment	(9,467)	(23,263)
Non-cash contributions received	(16,148)	(1,666)
Proceeds from the sale of donated securities	2,361	1,352
Actuarial change on annuity liabilities	(83)	(147)
Realized/unrealized gain on investments	(157,643)	(107,306)
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	11,096	5,850
Contributions receivable	8,200	2,281
Prepaid expenses and other assets	5,426	(26,773)
Accounts payable and accrued liabilities	(20,273)	22,681
Accrued retirement obligations	(2,114)	(2,452)
Deposits and deferred revenue	(2,418)	8,801
Right-of-use assets and liabilities	2,972	6,776
Other, net	(115)	(115)
Net cash used in operating activities	(33,734)	(23,584)
Investing activities:		
Purchase of investments	(106,513)	(128,805)
Proceeds from sales and maturities of investments	187,946	179,715
Change in malpractice insurance trust	(216)	1,076
Student loans repaid	2,414	1,700
Student loans issued	(433)	-
Purchases of land, buildings and equipment	(53,121)	(32,590)
Sales of land, buildings and equipment	9,844	15
Net cash provided by investment activities	39,921	21,111
Financing activities:		
Proceeds from restricted contributions	9,467	23,263
Proceeds from sale of contributed securities restricted for endowment	1,060	2,468
Payments on annuity obligations	(489)	(502)
Repayments of federal student loan funds	(720)	(1,772)
Proceeds from short-term debt	5,000	10,000
Payments on finance lease liability	(913)	(1,176)
Repayments of short-term debt	(3,772)	-
Repayments of long-term debt	(963)	(10,415)
Net cash provided by financing activities	8,670	21,866
Net increase in cash and cash equivalents, and restricted cash	14,857	19,393
Cash and cash equivalents, and restricted cash, beginning of year	54,920	35,527
Cash and cash equivalents, and restricted cash, end of year	$ 69,777	$ 54,920
Supplemental Information		
Gifts-in-kind	14,055	30
Cash paid for interest	21,627	19,452
Amounts accrued for purchase of land, buildings and equipment	10,019	9,614
Donated securities	3,167	4,121

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

1. Nature of Organization and Operations

Drexel University (the "University") is one of the largest private universities in the United States of America. The University has the distinction of having one of the nation's oldest, largest, and best-known cooperative education programs. Founded in 1891 by founder and philanthropist Anthony Joseph Drexel, the University is a private comprehensive global research university with three campuses located in Philadelphia, Pennsylvania, as well as other regional sites. With over 24,000 enrolled undergraduate, graduate, and professional students, the University is dedicated to advancing knowledge and society and to providing every student with a valuable, rigorous, experiential, technology-infused education. The University offers over 200-degree programs in its 15 colleges and schools in arts and sciences, biomedical engineering and sciences, business, computing and informatics, economics, education, engineering, entrepreneurship, food and hospitality management, law, media arts and design, medicine, 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" or the "Academy"). 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, 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 Academic Assets, Inc. 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 by the University on December 23, 2013. The Property is in a qualified census tract that meets certain income, unemployment, and poverty level requirements that qualify under the New Market Tax Credit Program as a qualified active low-income community business (a "QALICB"), as defined by Section 45D

of the Internal Revenue Code of 1986, as amended, and Section 1.45D-1(d)(4) of the Code of Federal Regulations. The project was funded by a qualified low-income community investment loan. On December 24, 2020, the New Market Tax Credit financing was unwound. As part of the unwind, the University became the holder of the investment loan, which was satisfied in full pursuant to a Mortgage Satisfaction effective December 24, 2020. 11th Street continues to own the fee interest in the Property and leases the Property to the University pursuant to an amended lease agreement effective January 1, 2021.

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

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

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, 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 provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, which requires the University to classify its net assets into two categories according to donor-imposed restrictions: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions. All material transactions between the University and its subsidiaries have been eliminated.

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

Net Assets with Donor Restrictions - Net assets that 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, 2026, and 2025 are as follows:

(in thousands)	2026	2025
Total assets at year-end	$ 3,123,268	$ 3,076,612
Less: non-financial and financial assets not available within one year		
Restricted cash	(15,365)	(14,115)
Tuition receivable due in more than one year	(7,007)	(6,823)
Contributions receivable with donor restrictions	(49,608)	(58,882)
Loans receivable due in more than one year	(7,915)	(9,544)
Prepaid expenses and other assets	(122,037)	(127,472)
Malpractice insurance trust	(6,920)	(6,704)
Beneficial Interests in trusts	(50,965)	(47,492)
Investments	(1,155,932)	(1,079,976)
Land, buildings and equipment, net	(1,067,484)	(1,061,141)
Finance lease right-of-use (ROU) asset	(6,964)	(7,765)
Operating lease right-of-use (ROU) asset	(425,833)	(451,435)
Financial assets available at year-end for current use	$ 207,238	$ 205,263

As of June 30, 2026, the University has $207,238,000 in financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. In addition to these available financial assets, a significant portion of the University's annual expenditures will be funded by current-year operating revenues, including tuition and fees, room and board, grant and contract income, and auxiliary enterprise income. The University structures its financial assets to be available as general expenditures, liabilities, and other obligations come due.

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, for fiscal years 2026 and 2025, the Board of Trustees approved the spending of endowment resources at 7.00% and 6.00%, 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 of 7.00% of the fair market value of the pooled endowment assets for the prior seven fiscal years. Under the approved spending rules, the University received an allocation of $61,804,000 and $51,675,000 in fiscal years 2026 and 2025, 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 $35,000,000 as of June 30, 2026. Additionally, the University has a board-designated endowment of $361,608,000 as of June 30, 2026. 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. The board-designated endowment funds contain certain 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, 2026, and 2025, the University had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash includes funds related to the Perkins Loan program and K-8 Powel Elementary School and Science Leadership Academy Middle School ("Powel/SLA-MS") project. All money market funds that are held in endowment are considered investments by the University.

Contributions Receivable

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

Beneficial Interests in Trusts and Split-Interest Agreements

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

Fair Value of Financial Instruments

The University applies fair value measurements in the year of receipt to contributions receivable, beneficial interests in trusts, investments, self-insurance escrow funds, internally held real estate of the endowment, funds held by trustees, 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 approximates 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 and program services, respectively. 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 insurance for prescriptions issued by these practices and remit the revenue to the University, less administrative fees. The difference between the amounts received by the University from the pharmacies and the cost of the medications and administrative fees to the University is used by the practices to provide comprehensive services that otherwise could not be offered under the traditional health insurance fee-for-service model.

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

Contributions may consist of cash and other financial assets, as well as contributed non-financial assets. Contributed non-financial assets include donated property and equipment, supplies, services, and other nonfinancial assets. Contributed nonfinancial assets are recognized at fair value as of the date of donation. If the donor restricts how long a contributed nonfinancial asset must be used or how the asset is used, the contribution is recorded as with donor restrictions. In the absence of donor stipulations, such contributions are recorded without donor 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 the endowment, post-retirement benefit plan, defined-benefit pension plan adjustments, gains and losses on extinguishment of debt, and 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 the 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 18).

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

Recently Adopted Accounting Pronouncements
In 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 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. 2023-02, *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 the use of the proportional amortization method of accounting for 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 adopted the standard effective July 1, 2025. The adoption of this guidance did not have a material impact on the 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 15, 2024, with early adoption permitted. The University adopted the standard effective July 1, 2025. The adoption of this guidance did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements
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, 2025, with early adoption permitted. The University is currently evaluating the guidance to determine the potential impact on its consolidated financial statements.

In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The amendments provide a practical expedient that allows entities, when estimating expected credit losses for certain current accounts receivable and current contract assets, to assume that current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset. The amendments also provide an accounting policy election for entities other than public business entities that elect the practical expedient to consider subsequent collection activity when estimating expected credit losses. ASU 2025-05 is effective for interim and annual periods beginning after December 15, 2025, 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 net of estimates for uncollectible amounts and contractually based discounts.

Accounts receivable as of June 30, 2026, and 2025 were as follows:

(in thousands)	**2026**	**2025**
Tuition	$ 82,813	$ 85,625
Grants, contracts, and other	87,949	94,449
Patient, net of contractual allowance	5,343	3,317
St. Christopher Hospital for Children	555	129
Accounts receivable, gross	176,660	183,520
Allowance for doubtful accounts:		
Tuition	(6,900)	(6,146)
Grants, contracts, and other	(10,620)	(8,516)
Patient	(2,316)	(938)
Accounts receivable	$ 156,824	$ 167,920

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 on the earlier of graduation or no longer maintaining full-time status. The grace period varies depending on the loan type. 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 the Federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of $15,207,000 and $15,925,000 at June 30, 2026, and 2025, respectively, are ultimately refundable to the government and are classified as liabilities in the Statements of Financial Position. Outstanding loans canceled under the program result in a reduction of the funds available to loan and a decrease in the liability to the government. As of October 1, 2017, the Federal Perkins Loan Program expired, and new loans are no longer awarded and disbursed.

As of June 30, 2026, and 2025, student loans consisted of the following:

(in thousands)	2026	2025
Federal government loan programs:		
Perkins loan program	$ 2,905	$ 3,157
Health professions student loans and loans for disadvantaged students	8,829	8,512
National direct student loans	-	640
Federal government loan programs	11,734	12,309
Institutional loan programs	2,065	3,725
Student loans receivable, gross	13,799	16,034
Less: Allowance for doubtful accounts	(2,875)	(3,129)
Student loans receivable	$ 10,924	$ 12,905

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, 2026 and June 30, 2025 that range between 4.14% and 4.44% and 3.72% and 4.24%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC 820-10 (Note 6).

Net contributions receivable at June 30 were as follows:

(in thousands)	2026	2025
Amounts due in		
Less than one year	$ 16,886	$ 19,705
One to five years	22,683	25,674
Greater than five years	22,408	24,995
Contributions receivable, gross	61,977	70,374
Less:		
Allowance for uncollectibles	(2,973)	(1,686)
Discounts to present value	(9,396)	(9,806)
Contributions receivable, net	$ 49,608	$ 58,882

As of June 30, 2026, and June 30, 2025, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of $255,504,000 and $159,299,000, 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, 2026, and 2025, the fair value of the malpractice insurance trust and investments included the following:

	Fair value	
(in thousands)	**2026**	**2025**
Money market funds	$ 28,732	$ 58,336
U.S. equity	229,014	197,942
Global equity	202,744	172,708
Fixed income securities and bond funds	183,792	149,748
Real estate and real assets funds	125,793	102,225
Hedge funds	50,415	53,422
Private equity	231,720	227,390
Directly-held real estate	75,954	104,822
Total endowment investments	1,128,164	1,066,593
Self-insurance escrow funds	37,262	25,689
Interest in a partnership	(27,951)	(29,956)
Other investments	18,457	17,652
Total investments	1,155,932	1,079,977
Malpractice insurance trust	6,920	6,704
Total investments and malpractice insurance trust	$ 1,162,852	$ 1,086,681

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

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2026, and 2025:

(in thousands)	2026 Without Donor Restrictions	2026 With Donor Restrictions	2026 Total
Investment income, net of expenses	$ 5,143	$ 10,311	$ 15,454
Realized/unrealized gain	51,487	86,370	137,857
Endowment payout under spending formula	(33,587)	(28,217)	(61,804)
Realized/unrealized gain on investments, net of endowment payout and expenses	23,043	68,464	91,507
Operating investment income, net	11,770	790	12,560
Total return on investments	$ 34,813	$ 69,254	$ 104,067

(in thousands)	2025 Without Donor Restrictions	2025 With Donor Restrictions	2025 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 (loss) / 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

6. Fair Value of Financial Instruments

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

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include nonexchange traded fixed income securities.

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.

As of June 30, 2026, and 2025, assets and liabilities at fair value were as follows:

	2026				
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments at NAV**	**Total**
Assets					
Beneficial interest in trusts	$ -	$ -	$ 50,965	$ -	$ 50,965
Malpractice insurance trust	6,920	-	-	-	6,920
Investments					
Money market funds	28,732	-	-	-	28,732
U.S. Equity	205,348	-	-	23,666	229,014
Global Equity	123,446	-	-	79,298	202,744
Fixed Income securities and bond funds	109,531	1,664	-	72,597	183,792
Real estate and real assets funds	-	-	6,050	119,743	125,793
Hedge funds	3,394	-	-	47,021	50,415
Private Equity	-	-	-	231,720	231,720
Directly-held real estate	-	-	75,954	-	75,954
Investments held in endowment	470,451	1,664	82,004	574,045	1,128,164
Self-insurance escrow funds	37,262	-	-	-	37,262
Other investments	16,710	-	-	1,747	18,457
Total investments	524,423	1,664	82,004	575,792	1,183,883
Total assets mesaured at fair value	$ 531,343	$ 1,664	$ 132,969	$ 575,792	$ 1,241,768
Liabilities					
Split-interest agreements	-	-	1,584	-	1,584
Annuities	-	-	3,638	-	3,638
Total liabilities measured at fair value	$ -	$ -	$ 5,222	$ -	$ 5,222

	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

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:

			2026	
(in thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Terms (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Hedge funds:				
Multi-Strategy Hedge Funds (a)	$ 4,266	$ -		
Distressed Debt Hedge Funds (b)	35,862	-		
Real Estate Hedge Funds (c)	6,893	-	Quarterly	60 days
Subtotal Hedge funds	47,021	-		
Private Equity:				
Private Capital Funds-Secondaries (d)	1,458	2,834		
Private Capital Funds-Venture Capital (e)	796	198		
Private Capital Funds-Buy-out (f)	113,518	46,718		
Private Capital Funds-Debt (g)	18,883	13,614		
Private Capital Funds-Real Asset Funds (h)	80,560	46,973		
Private Capital Funds-Real Estate Funds (i)	16,505	6,529		
Subtotal Private Equity	231,720	116,866	Close-ended funds not available for redemption	
US Equity (j)	23,666	-		
Global Equity (j)	79,298	-		
Fixed Income Securities and Bond Funds (j)	72,597	-		
Real Estate and Real Assets Funds (j)	119,743	-		
Other investments (j)	1,747	-		
	$ 575,792	$ 116,866		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2026, the composite portfolio includes >99% in a multi-strategy hedge fund that invests a significant portion of its assets in certain less liquid special situations opportunities, and <1% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 4 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

b. This category includes investments in hedge funds that invest in the debt of companies in or facing bankruptcy. As of June 30, 2026, the composite portfolio includes 99% in an opportunistic credit strategy that invests in liquid and special situation credits, 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.

c. This category includes investments 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, 2026, 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, 2025, 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, 2026, 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, 2025, 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 buy-out 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, 2026, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 77% over 1 to 4 years; 16% in 5 to 7 years; and 7% in 8 to 10 years. As of June 30, 2025, the liquidation periods were expected to be: 67% over 1 to 4 years; 29% in 5 to 7 years; and 4% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

g. This category includes investments in private equity funds that 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, 2026, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 38% in 1 to 4 years; 51% in 5 to 7 years; and 11% in 8 to 10 years. As of June 30, 2025, the liquidation periods were expected to be: 62% in 1 to 4 years and 38% 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, 2026, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 26% in 1 to 4 years; 55% in 5 to 7 years; and 19% in 8 to 10 years. As of June 30, 2025, the liquidation periods were expected to be: 52% in 1 to 4 years; 30% in 5 to 7 years; and 18% 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, 2026, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 50% in 1 to 4 years and 50% in 5 to 7 years. As of June 30, 2025, the liquidation periods were expected to be: 56% in 1 to 4 years and 44% in 5 to 7 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 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.

The University owns partnership interests in a real estate portfolio classified as 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, 2026, and 2025, the University had an endowment spending rule that limited the spending of endowment resources to 7.00% and 6.00% 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, 2026, and 2025, 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.

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 $32,000 and $139,000 as of June 30, 2026, and 2025, respectively. The original gift amount and the fair value of underwater endowment funds in the aggregate were $1,393,000 and $1,361,000 as of June 30, 2026, and $2,704,000 and $2,565,000 as of June 30, 2025, respectively.

The net asset balances for the endowment composition by fund as of June 30, 2026, and 2025 were as follows:

	2026		
(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 832,343	$ 832,343
Board-designated endowment funds	361,608	-	361,608
Total assets	$ 361,608	$ 832,343	$ 1,193,951

	2025		
(in thousands)	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

Changes in the University's endowment assets (excluding annuities and trusts) for the years ended June 30, 2026, and 2025 were as follows:

	2026		
(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, at beginning of year	$ 371,945	$ 758,916	$ 1,130,861
Endowment return:			
Investment income, net of fees	5,143	10,311	15,454
Net realized/unrealized gain	40,097	92,057	132,154
Total endowment return	45,240	102,368	147,608
Contributions	(38)	7,675	7,637
Use of endowment assets:			
Endowment payout used in operations	(18,823)	(42,981)	(61,804)
Other	(36,716)	6,365	(30,351)
Total uses of endowment assets	(55,539)	(36,616)	(92,155)
Endowment, at end of year	$ 361,608	$ 832,343	$ 1,193,951

	2025		
(in thousands)	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

Endowment Loan
On March 3, 2021, the University's Board of Trustees 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 than 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%. In June 2026, the University confirmed that the interest rate would increase from 6.10% to 7.10%, effective July 1, 2026, in accordance with the original loan terms. The outstanding principal balance of $40,000,000 is scheduled to mature in June 2027, at which time the principal will become due unless the loan is refinanced or extended. Any extension requires annual approval by the Investment Committee and the Board of Trustees. 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, 2026, and 2025, 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 were $4,606,000 and $7,456,000 at June 30, 2026, and $2,571,000 and $5,346,000 at June 30, 2025, respectively, and are included in buildings and improvements and accrued liabilities, 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 to the Thomas R. Kline School of Law's Trial Advocacy Program.

During fiscal year 2026, the University received a contribution of real property known as the New College Building ("NCB"), located at 225-31 North 15th Street, Philadelphia, Pennsylvania 19102, consisting of land and a building with an estimated fair value of approximately $27.1 million at the date of contribution, of which approximately $12.5 million was attributable to land and $14.6 million to buildings and improvements. In connection with the contribution, the University assumed an outstanding mortgage obligation of approximately $13.0 million secured by the property. See Note 12, Bonds and Notes Payable, for additional information regarding the assumed mortgage. See Note 15, Contributed Nonfinancial Assets, for additional information regarding the contribution and its valuation.

During fiscal year 2026, the University transferred approximately $38.0 million of internally held real estate from its Board-designated endowment (Note 7) to property, plant and equipment because the intended use of the property changed from investment purposes to institutional use. The property was transferred at its carrying value, with no gain or loss recognized, and depreciation commenced upon the transfer.

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

(in thousands)	**2026**	**2025**
Works of art	$ 11,008	$ 10,941
Land and improvements	196,540	170,030
Buildings and improvements	1,435,187	1,432,636
Equipment, software and library books	227,311	228,014
Construction in progress	5,953	16,296
Land, buildings, and equipment, gross	1,875,999	1,857,917
Less: Accumulated depreciation	(808,515)	(796,776)
Land, buildings, and equipment, net	$ 1,067,484	$ 1,061,141

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 not to 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 elected the policy exemption that allows lessees to choose not to separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes.

The University determines if an arrangement is or contains a lease at the 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 the 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 are not recognized for leases with an initial term of 12 months or less, and a lease expense is recognized for these leases on a straight-line basis over the lease term within lease and rental expense.

The components of lease expense for the fiscal year ended June 30, 2026, and 2025 are as follows:

(in thousands)	**2026**	**2025**
Lease Expense:		
Finance lease expense		
Amortization of ROU assets	903	1,065
Interest on lease liabilities	29	50
Operating lease expense	39,924	44,202
Short-term lease expense	2,691	2,147
Variable lease expense	20,388	24,142
Total	63,935	71,606

Other Information		
Cash paid for amounts included in the measurement of lease liabilities for finance leases		
Finance - Financing cash flows	913	1,176
Finance - Operating cash flows	29	50
Operating - Operating cash flows	36,951	41,591
ROU assets obtained in the exchange for lease liabilities		
Finance leases	102	102
Operating leases	(6,128)	2,772
Weighted-average remaining lease terms (in years)		
Finance leases	41.93	39.43
Operating leases	24.05	24.22
Weighted-average discount rate		
Finance leases	0.40%	0.61%
Operating leases	3.79%	3.73%

Minimum lease payments as of June 30, 2026 were as follows:

	Finance	Operating
07/01/2026 - 06/30/2027	917	32,352
07/01/2027 - 06/30/2028	241	30,707
07/01/2028 - 06/30/2029	201	29,355
07/01/2029 - 06/30/2030	123	29,540
07/01/2030 - 06/30/2031	123	30,248
Thereafter	5,365	724,615
Total	6,970	876,817
Less: Present value discount	(15)	(332,746)
Lease liability	6,955	544,071

In August 2024, the University executed a long-term operating lease agreement with Gattuso Development Partners for space located at 3201 Cuthbert Street. The original lease had not commenced as of June 30, 2025 because the University had not obtained control of the leased premises.

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. 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 a 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. Under the terms of the lease, the University is required to maintain an irrevocable standby letter of credit of approximately $1.8 million as security for its obligations under the lease.

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. The original lease included an option for the University to purchase the Armory for $1,700,000, adjusted for inflation, in the event the Commonwealth wished to sell the property during the lease term. However, the June 2018 amendment to the lease removed the language establishing the sales price and the right of first refusal. In June 2018, the University and the Commonwealth entered into an amendment extending the initial term for the "Drill Hall" portion of the lease to sixty-five years. The University remeasured the finance lease asset and liability based on the fair market value of the rent under the revised lease term. The finance lease liability amounted to $5,982,000 and $6,105,000 at June 30, 2026 and 2025, respectively. These costs have been capitalized, and a corresponding capital lease liability has been recorded. In June 2018, the University entered into a sublease for the Drill Hall portion of the Armory with the U.S. Squash Racquet Association. The sublease is coterminous with the Armory lease, and rent under the sublease agreement is nominal for the entire term.

On January 23, 2012, the University and ACC OP (Chestnut PA), LLC, an affiliate of American Campus Communities ("ACC"), entered into a triple net ground lease structure governing the conveyance of the land area located on 3200 Chestnut Street with a base lease term of forty years and three ten-year option periods. In consideration for the right to develop, own, and operate the proposed project referred to as "Chestnut Square" on the

University's campus, ACC pays the University annual ground rent of $254,000. Chestnut Square includes 360,000 square feet of residential space, housing approximately 863 students. The facility also includes 36,000 square feet of retail and office space along the Chestnut Street frontage. The structures consist of two eight-story low-rise buildings and a nineteen-story high-rise residential tower at the corner of 32nd and Chestnut Streets. A 101,500-square-foot parking structure containing 267 spaces is also included for the south side of the existing Creese Student Center. The University bears no cost of the Chestnut Square project. At the end of the lease (40-70 years), the asset reverts to the University.

On August 30, 2013, the University entered into a land purchase agreement with 3175 JFK Associates, LP and L-A 31, LP, both affiliates of ACC, whereby ACC contributed land, air rights and a subsurface parcel it owned contiguous to Drexel's campus (i.e., 3175 JFK Boulevard) to the University as a gift, without any purchase consideration, but retained the ownership of the "University Crossings" building and improvements erected on this land. The University Crossings property consists of 1.15 acres of land and a 17-story, 452,483 square foot building with 261 units and a total bed capacity of 1,016. As a condition of the land purchase agreement, Drexel and ACC also entered into a ground lease agreement whereby Drexel leased the land back to ACC for no consideration other than reimbursement of property tax that Drexel would be required to pay as the landowner. The term of the lease is forty years with an option to renew for three consecutive ten-year terms. Payments to the University from ACC are recorded as a cost recovery of property taxes. Within five years from the effective date, ACC is required to complete no less than $22,327,000 in capital improvements. The University's financial statements include a ground lease liability for the sub-parcel and air rights at June 30, 2026, and 2025 of $8,150,000 and $8,450,000, respectively. The University recognized $300,000 of ground lease income related to this agreement during fiscal years 2026 and 2025.

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 an 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 in September 2015. The initial term is

40 years with three ten-year renewal options. At the expiration or sooner termination of the ground lease, title shall vest with the University and belong exclusively to the University without any interest on the part of ACC. The sublease provides a rent prepayment option, which allows the full 30 years of rent for the dining facility to be satisfied with an upfront payment of $9,200,000. The University executed the option in September 2015. The amount is capitalized and amortized over the term of the lease.

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

On December 17, 2014, the University entered into a ground lease agreement with Study Philadelphia Holding, LLC ("SPHLLC") to build an upscale hotel, "The Study", on University property located at 3301 Chestnut Street and 20-40 South 33rd Street. The hotel features a ground-floor restaurant and retail space, a conference center, approximately 212 hotel rooms, and accessory hotel amenities, with a main entrance on 33rd Street. The hotel includes a ten-story building, totaling 145,000 square feet of space. The base term of the lease is fifty years with two ten-year renewal options. The annual rent commencement date is December 17, 2016, i.e., twenty-four months from the date of the lease. Upon the expiration of the lease, the leased premises will become the property of the University. The University recognized $154,000 of ground lease income related to this agreement during fiscal years 2026 and 2025.

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, a 13,800-square-foot childcare center, ancillary amenities, and improvements, including a café and rooftop sundeck, 27 on-site parking spaces, and 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 2026 and 2025.

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 with certain rights and obligations for a multi-phase, multi-component development on approximately 10.11 acres of University-owned land (the "Drexel Site")

adjacent to the University's main campus in the University City section of Philadelphia. The project's master-planned area includes the Drexel Site and up to four additional adjacent acres, owned separately by the University and BRT, to be branded as "Schuylkill Yards."

Schuylkill Yards is contemplated to be developed in multiple phases and is expected to consist of commercial, office, educational, research, residential, and related facilities, as well as accessory green space uses. BRT intends to fund costs to develop each phase 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 negotiations between the University and BRT.

On April 22, 2022, the University completed the fourth conveyance for the Schuylkill Yards project, consisting of 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.

In May 2026, the University's Board of Trustees authorized an amendment to the Development Agreement. Under the amendment, the 3100 JFK Boulevard building parcel (formerly known as 3101R Market) was removed from future development under the Schuylkill Yards master plan and retained for the University's long-term academic use. The amendment also reduced the minimum remaining development obligation from approximately 3.0 million square feet of gross floor area to 1.4 million square feet and provided for a BRT contribution of up to $8.0 million toward exterior improvements to the 3100 JFK Boulevard property. In addition, the University agreed to sell certain parcels within the Drexel Site to BRT. During fiscal year 2026, the University completed the sale of 3025 JFK Boulevard for approximately $1.6 million, with the proceeds deposited into a Board-designated endowment fund. The sale of 3001-3003 JFK Boulevard remains subject to the terms of the amended Development Agreement. The amended agreement also preserves certain development-related payment rights of the University associated with future development activities within Schuylkill Yards.

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. TIAA-CREF administers the Drexel University Defined Contribution Retirement Plan as the sole recordkeeper, trustee, and custodian. The University contribution rates, eligibility, and vesting requirements remain 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, which 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 made at any time. Provided that an eligible employee contributes at least one percent (1%) of compensation, the University contributes a "Basic Contribution" to the DU DC equal to three percent (3%) for an eligible employee under the age of 50, and five percent (5%) for those 50 or older. The University contributes matching contributions to DU DC that are equal to one hundred percent (100%) of an eligible employee's contributions up to six percent (6%). All basic and matching contributions are subject to certain Internal Revenue Code limitations.

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 receive the same employer contributions based on the same criteria as Drexel employees.

The University suspended the 403(b) employer contributions to employee retirement plans for the calendar year 2025. The suspension was part of a multi-year plan to build financial resilience. Effective January 1, 2026, the University fully restored the employer contribution to the 403(b) retirement plan.

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 amounts reflected in accrued liabilities and prepaid expenses and other assets were $23,444,000 and $21,200,000 as of June 30, 2026, and 2025.

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 $25,409,000 and $27,005,000 in 2026 and 2025, respectively.

ANS also maintained a defined benefit pension plan that was frozen by the ANS Board of Trustees effective December 31, 2009, prior to the affiliation with Drexel University on September 30, 2011. In September and October 2025, the ANS and Drexel University Boards of Trustees, respectively, approved the termination of the plan through a standard plan termination process, effective February 28, 2026. The plan termination was completed during fiscal year 2026.

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

(in thousands)		**2026**		**2025**
Weighted average assumptions as of June 30				
Discount rate		5.60 %		5.60 %
Expected return on plan assets		5.70 %		5.70 %
Accumulated benefit obligation				
Accumulated benefit obligation at June 30	$	-	$	14,699
Change projected in benefit obligation				
Net benefit obligation at June 30	$	14,699	$	15,256
Service costs		200		200
Interest costs		786		817
Actuarial loss/(gain)		1,205		(90)
Gross benefits paid and settlement		(16,890)		(1,484)
Net benefit obligation at June 30	$	-	$	14,699

(in thousands)		**2026**		**2025**
Change in plan assets				
Fair value of plan assets, at beginning of year	$	16,516	$	16,016
Actual return on plan assets		662		1,434
Employer contributions		(288)		550
Gross benefits paid and settlement		(16,890)		(1,484)
Fair value of plan assets, at June 30	$	-	$	16,516
Fair value of plan assets, at June 30	$	-	$	16,516
Benefit obligation		-		14,699
Net amount recognized, at June 30*	$	-	$	1,817

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

The components of net periodic benefit cost are noted below:

(in thousands)	2026	2025
Weighted average assumptions used to determine net periodic benefit costs		
Discount rate	5.60 %	5.60 %
Expected return on plan assets	5.70 %	6.00 %
Components of net periodic benefit costs		
Service costs	$ 200	$ 200
Interest costs	786	817
Expected return on assets	(909)	(943)
Amortization of actuarial loss/(gain)	1,452	(581)
Net periodic benefit cost	$ 1,529	$ (507)

During fiscal year 2026, the ANS defined benefit pension plan was terminated, and all remaining benefit obligations were settled. As a result, there were no projected benefit obligations, accumulated benefit obligations, or plan assets remaining as of June 30, 2026. The projected benefit obligation and accumulated benefit obligation were $0 at June 30, 2026 and $14,699,000 at June 30, 2025. The fair value of plan assets was $0 at June 30, 2026 and $16,516,000 at June 30, 2025.

As of June 30, 2026, approximately $339,000 in surplus assets remained in the pension trust and awaited reversion to the Academy. The Academy recognized a $339,000 receivable for the surplus assets and an associated excise tax liability of $169,000 related to the anticipated reversion. The net impact of approximately $170,000 was recognized within non-operating activities in the Consolidated Statement of Activities.

Plan Assets
The ANS pension plan had no plan assets as of June 30, 2026 as a result of the termination of the plan. The weighted-average allocation of plan assets as of June 30, 2025 was as follows:

	2025
Asset category	
Equity securities	12.0 %
Hedge fund and alternative investments	86.6 %
Cash	1.4 %
	100.0 %

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

	2025				
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
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

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 service with Drexel University and does not include any subsidiaries.

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

The net periodic post-retirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to $5,181,000 and $1,656,000, respectively, for the years ended 2026 and 2025, and are reflected in the Consolidated Statements of Activities and included in Accrued retirement obligations in the Consolidated Statements of Financial Position.

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

Plans Funded Status

(in thousands)	2026	2025
Change in benefit obligation		
Benefit obligation, beginning of year	$ 18,140	$ 19,260
Service cost	59	31
Interest cost	1,123	985
Plan amendments	2,804	-
Actuarial loss	1,735	433
Plan participant contributions	1,229	592
Actual benefits paid	(4,493)	(3,161)
Benefit obligation, end of year	20,597	18,140
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	3,264	2,569
Plan participant contributions	1,229	592
Actual benefits paid	(4,493)	(3,161)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan*	$ 20,597	$ 18,140

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

Weighted average assumptions to determine benefit obligations and net cost as of June 30		
Discount rate - benefit obligations	5.58%	5.32%
Discount rate - benefit cost	5.32%	5.48%
Ultimate retiree health care cost trend	4.50%	4.50%
Year ultimate trend rate is achieved	2035	2034

Net Periodic Benefit Cost

(in thousands)	2026	2025
Components of net periodic benefit cost		
Service cost	$ 59	$ 31
Interest cost	1,123	985
Amortization of:		
Prior service credit	(1,059)	(1,536)
Net loss	418	314
Net periodic benefit cost	$ 541	$ (206)
Other changes recognized in net assets without restrictions		
Net actuarial loss	$ 1,735	$ 433
Prior service cost	2,804	-
Amortization of:		
Prior service credit	1,059	1,536
Net loss	(418)	(314)
Total recognized in net assets without restrictions	$ 5,180	$ 1,655
Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions		
Prior service credit	$ (5,169)	$ (9,032)
Actuarial loss	7,540	6,223
Amounts in unrestricted net assets, end of year	$ 2,371	$ (2,809)

For the fiscal years ended June 30, 2026, and 2025, the effect of a 1% change in the health care cost trend rate is as follows:

	2026		2025	
(in thousands)	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	$ 12	$ (11)	$ 8	$ (9)
Effect on postretirement benefit obligation	93	(88)	82	(85)

Contributions

Expected contributions for the 2027 fiscal year are $2,674,000.

Estimated future benefit payments

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

(in thousands)	
June 30,	
2027	2,674
2028	2,543
2029	2,399
2030	2,213
2031	2,097
Thereafter	8,515

Salus University provided eligible employees hired before October 23, 2003 with other post-retirement benefits other than pensions, primarily medical and life insurance benefits. Effective January 1, 2026, the Salus other post-retirement benefit plan was integrated into the University's other post-retirement benefit plan. In connection with the integration, the reimbursement option previously available to eligible Salus retirees was discontinued, and eligible former Salus retirees became eligible for a monthly subsidy toward enrollment in the University's other post-retirement benefit plan.

The following tables provide information with respect to Salus University's other post-retirement benefit plan for the year ended June 30, 2025, prior to its integration into the University's other post-retirement benefit plan:

Reconciliation of Benefit Obligation, Plan Assets, and Funded Status

(in thousands)		**2025**
Change in benefit obligation		
Benefit obligation, beginning of year	$	5,904
Service cost		3
Interest cost		263
Plan participant contributions		16
Amendments		-
Actuarial gain		(1,316)
Actual benefits paid		(298)
Benefit obligation, end of year		4,572
Change in plan assets		
Fair value of plan assets, beginning of year		-
Employer contributions		282
Plan participant contributions		16
Actual benefits paid		(298)
Fair value of plan assets, end of year		-
Unfunded status of the plan*	$	4,572

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

Net Periodic Benefit Cost

(in thousands)		**2025**
Components of net periodic benefit cost		
Service cost	$	3
Interest cost		263
Amortization of:		
Prior service credit		-
Net gain		(1,161)
Net periodic benefit cost	$	(895)
Other changes recognized in net assets without restrictions		
Net actuarial gain	$	(1,316)
Recognized actuarial gain		505
Total recognized in net assets without restrictions	$	(811)
Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions		
Actuarial gain		(3,092)
Amounts in unrestricted net assets, end of year	$	(3,092)

12. Bonds and Notes Payable

Bonds and notes payable at June 30, 2026 and 2025 are as follows:

(in thousands)	Project	Final Maturity	Effective Interest Rate at June 30, 2026	2026	2025
Fixed rate debt obligations					
Drexel University					
Pennsylvania Higher Education Facilities Authority (PHEFA)					
Series of 2016	Refunding	2022-2037	3.00%	19,080	111,130
Series of 2017	Refunding	2018-2041	4.00-5.00%	80,230	85,580
Series of 2020A	Refunding and capital improvements	2021-2050	4.00-5.00%	123,650	125,795
Series of 2020B (Federally Taxable)	Refunding	2021-2041	1.97-3.27%	14,575	15,150
Series of 2026	Refunding	2028-2041	5.00-5.25%	94,430	-
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%	11,917	12,305
Senior Secured Note	New College Building (NCB)	July 2027	2.78%	9,274	-
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				485,406	482,210
Line of Credit				35,000	30,000
Unamortized original issue premiums/discounts and cost of issuance, net				37,195	39,805
Total bonds and notes payable				$ 557,601	$ 552,015

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 as of June 30, 2026, and 2025.

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 as of June 30, 2026 and 2025.

In May 2026, the University issued Pennsylvania Higher Education Facilities Authority Revenue Refunding Bonds, Series of 2026, in the amount of $94.4 million. The proceeds were used to refund most of the outstanding Series of 2016 Revenue Bonds and to refund the May 1, 2026, scheduled maturities of the Series of 2016, Series of 2017, and Series of 2020A Revenue Bonds, as well as to pay costs of issuance. The Series 2026 bonds mature between May 1, 2028, and May 1, 2041, and bear interest at rates ranging from 5.00% to 5.25%.

Debt maturities for the fiscal years ending are as follows:

(in thousands)	**Total Debt**
2027	17,817
2028	16,968
2029	15,253
2030	16,076
2031	26,557
Thereafter	392,735
	$ 485,406
Cost of issuance	(8,438)
Unamortized premiums	45,633
	522,601

Lines of Credit

The University has 50% Secured Revolving Credit Facilities ("Facilities") totaling $85,000,000 and $15,000,000, which will mature on June 28, 2028. On June 28, 2026, interest began accruing at term one-month SOFR plus 0.65%. The line of credit can be extended annually, subject to agreement between the University and the bank maintaining the Facilities. On June 30, 2026, and 2025, the outstanding amount was $35,000,000 and $30,000,000, 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 on adjusted term SOFR plus 1.35%. On June 30, 2026, and 2025, 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%. On June 30, 2026, and 2025, there were no outstanding amounts.

13. Net Assets

Net assets included the following:

(in thousands)	2026	2025
Without donor restrictions:		
Operating	$ (554,467)	$ (568,317)
Physical plant	807,864	792,045
Quasi-endowment funds	361,608	371,945
Total net assets without donor restrictions	615,005	595,673
With donor restrictions:		
Temporarily Restricted		
Funds for programs and capital expenditures	135,605	134,125
Funds for endowments	345,802	273,267
Life income annuities	3,305	2,867
Beneficial interests in trusts	6,009	5,802
Permanently Restricted		
Funds for endowments	486,541	485,649
Life income annuities	3,518	6,481
Beneficial interests in trusts	44,881	40,674
Student loans and others	9,347	9,173
Total net assets with donor restrictions	1,035,008	958,038
Total net assets	$ 1,650,013	$ 1,553,711

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, 2026, and 2025:

	2026			
(in thousands)	**Tuition and Fees**	**Room and Board**	**Institutional Financial Aid**	**Total**
Undergraduate	$ 670,802	$ 37,072	$ (313,057)	$ 394,817
Graduate	331,817	841	(40,087)	292,571
Tuition and fees, room and board	$ 1,002,619	$ 37,913	$ (353,144)	$ 687,388

	2025			
(in thousands)	**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

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 on 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, 2026, and 2025, respectively:

(in thousands)	**2026**	**2025**
Medicine	$ 23,745	$ 22,880
Nursing and Other	2,918	4,903
Psychiatry	553	538
Total physician services	$ 27,216	$ 28,321

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 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, 2026, and 2025:

	2026		
(in thousands)	**Without donor restrictions**	**With donor restrictions**	**Total**
Government grants and contracts:			
Federal	115,535	886	116,421
State	3,398	158	3,556
Local	1,242	-	1,242
Private grants and contracts	3,760	23,960	27,720
Total grants and contracts	123,935	25,004	148,939

	2025		
(in thousands)	**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

As of June 30, 2026, and 2025, the University has outstanding unrecorded conditional grants receivable of $134,345,000 and $139,720,000, respectively. Revenue for these conditional grants will be recognized in future periods when the related barriers are overcome, and the conditions have been substantially met.

15. Contributed Nonfinancial Assets

The University receives contributions of nonfinancial assets, including property, equipment, use of facilities, professional services, and other goods and services. Contributed nonfinancial assets are recognized at fair value on the date of contribution and are reported as contributions with or without donor restrictions based on the existence and nature of donor-imposed restrictions.

Contributed nonfinancial assets recognized during the year ended June 30, 2026 consisted of the following:

	2026		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
NCB property	$ 14,004	$ -	$ 14,004
Equipment and collections	-	51	51
Free rent	123	-	123
Professional services and other	-	129	129
Total	$ 14,127	$ 180	$ 14,307

	2025		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Equipment and collections	-	1,775	1,775
Free rent	123	-	123
Professional services and other	-	74	74
Total	$ 123	$ 1,849	$ 1,972

The University uses contributed nonfinancial assets to further its educational, research, student, and other programmatic and supporting activities and generally does not monetize them.

NCB property represents a contributed real estate interest received by the University. Fair value was determined based on an independent appraisal using the sales comparison and income capitalization approaches. Significant inputs included comparable property transactions, market rental and occupancy information, property-specific operating information, and other relevant market data.

Equipment and collections consist of contributed equipment and collection items used in the University's educational and programmatic activities. The contributed equipment and collections were subject to donor-imposed restrictions. Fair value was based on valuation information provided by the donors.

Free rent represents the contributed use of the Armory. Fair value was determined based on an independent appraisal of market rental value using comparable lease transactions, adjusted for differences in property characteristics and lease terms.

Professional services and other consists of contributed professional services, software, educational and programmatic materials, food and beverages, and other goods and services utilized in the University's activities. Fair value was generally based on valuation information provided by the donors.

16. 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, 2026 consist of the following:

	2026			
(in thousands)	**Program Services**	**Management and General**	**Fundraising**	**Total**
Salaries and wages	$ 389,226	$ 69,322	$ 11,276	$ 469,824
Employee benefits	98,497	17,721	2,885	119,103
Depreciation and amortization	60,149	4,769	15	64,933
Interest	17,772	1,732	-	19,504
Other operating expenses	319,949	59,638	2,827	382,414
Total expenses	$ 885,593	$ 153,182	$ 17,003	$ 1,055,778

Expenses by functional classification for the year ended June 30, 2025 consist of the following:

	2025			
(in thousands)	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

17. Professional Liability Insurance

Starting July 1, 2014, Drexel established a Self-Insurance Trust ("SIT") to provide primary coverage for medical professional liability. 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 liability insurance of up to $2,000,000 above the Mcare Fund for claims that occurred prior to July 1, 2020.

The Dragon Risk Limited, Co. provides excess liability coverage above the self-insured layer of an additional $17,000,000. For any events incurred after July 1, 2020, Drexel changed the excess professional liability 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, 2026 and 2025, the University and its subsidiaries recorded gross combined reserves of $18,727,000 and $20,340,000, respectively, and related recoveries from third-party insurers of $6,982,000 and $7,466,000, respectively. For fiscal years 2026 and 2025, 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 liabilities and grants, contracts and other receivables, respectively, in the accompanying 2026 and 2025 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, 2026 and 2025, self-insurance escrow funds and malpractice insurance trust consisting of mutual funds and fixed income securities amounted to $44,182,000 and $32,387,000, respectively, and were available to fund incurred but not reported liabilities.

18. 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 violations 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. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Litigation
As of June 30, 2026, 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 outstanding amounts as of June 30, 2026, and 2025.

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 expires on April 30, 2027, and renews each year automatically unless the University notifies the Department of Education of its election not to renew. There were no outstanding amounts as of June 30, 2026, and 2025.

The University obtained a $1,774,000 Letter of Credit in December 2025, which acts as the security deposit for a long-term lease and is automatically renewed annually unless notified by the University of an election not to renew.

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. On July 16, 2026, the U.S. Department of Education released the letter of credit.

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, and for which it files an IRS Form 990-T, *Exempt Organization Business Tax Return*, annually. The University makes quarterly estimated tax payments to the IRS and submits any additional tax payment with the final submission of its return in the subsequent fiscal year.

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

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

For the fiscal years ended June 30, 2026, and 2025, the University recorded $2,092,000 and $2,963,000 as income tax expenses and assigned a functional expense category of management and general for these expenditures.

19. 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.

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, 2026, and 2025, the University has recorded the value of its interest in a partnership for St. Christopher's Hospital of ($28.0 million) and ($30.0 million), respectively, within investments (Note 5). Drexel's share of the operating gains of $2.0 million and $5.3 million has been reflected within realized and unrealized gains/(losses) on investments as of June 30, 2026 and 2025, respectively.

In addition to the purchase, Drexel University and Tower Health each provided an $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, 2026, and 2025, the University recorded a receivable for the outstanding line of credit balance of $70.5 million from St. Christopher's Hospital within prepaid expenses 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.

Drexel University and Tower Health are the members of STC Healthcare Partners, LLC ("STC"), a joint venture formed to acquire and operate St. Christopher's Hospital for Children in Philadelphia, Pennsylvania. Drexel and Tower Health each hold a 50% ownership interest in STC.

In connection with the acquisition of the hospital in 2019, Drexel University and Tower Health each provided joint and several guarantees of certain lease obligations associated with hospital facilities utilized by STC. These leases extend through various dates through 2050.

As of June 30, 2026, the remaining contractual lease payments associated with these facilities are approximately $235 million in aggregate. On an average basis, this represents approximately $9.3 million per year over approximately 23 years for the hospital and parking lease, and approximately $1.4 million per year over approximately 16 years for the Center for the Urban Child lease. These amounts include both base rent and additional rent components such as utilities, maintenance, and other operating costs.

The ultimate amount, if any, that may become payable under the guarantees is subject to significant uncertainty, including the continued operations of STC, potential restructuring of lease arrangements, and the impact of applicable bankruptcy or other legal provisions that may limit landlord claims in the event of a lease rejection. In addition, certain components of additional rent may decline in the event the facilities are no longer fully operational.

Management believes that payment under these guarantees is not probable as of June 30, 2026, and therefore no liability has been recorded in the accompanying consolidated financial statements. However, due to the uncertainty surrounding STC's future operations, it is reasonably possible that Drexel could be required to perform under some portion of these guarantees.

As of June 30, 2026 and 2025, the University, acting as an agent for St. Christopher's Hospital, has outstanding conditional pass-through pledges of $0 and $5.0 million, respectively. As of June 30, 2026 and 2025, 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.

20. Subsequent Events

The University evaluated events subsequent from June 30, 2026 through October 28, 2026, the date at which financial statements were issued.

Academy of Natural Sciences Museum Closure
In September 2026, the Academy of Natural Sciences of Drexel University announced that it will close its museum effective September 30, 2026, as part of efforts to establish a sustainable long-term operating model. The Academy will continue its scientific research and stewardship of its collections.

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