Drexel University and Subsidiaries

Consolidated Financial Statements
June 30, 2014 and 2013

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June 30, 2014 and 2013

Independent Auditor's Report

To The Board of Trustees
Drexel University

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, 2014 and 2013, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the June 30, 2014 and 2013 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Drexel University and its subsidiaries at June 30, 2014 and 2013, and the results of their operations and of their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
November 6, 2014

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2014 and 2013

(in thousands)	2014	2013
Assets		
Cash and cash equivalents		
Operating	$ 106,992	$ 83,500
Restricted	7,017	4,004
Accounts receivable, net		
Tuition	50,720	54,244
Grants, contracts and other	60,940	60,295
Patients	8,043	8,537
Tenet Healthcare Corporation	1,746	3,119
Total accounts receivable, net	121,449	126,195
Contributions receivable, net	72,334	82,200
Other assets	20,184	19,234
Deposits with bond trustees	1,983	30,504
Student loans receivable, net	35,106	35,856
Beneficial interests in trusts	56,438	53,605
Investments	676,669	616,706
Land, buildings and equipment, net	884,807	803,733
Total assets	$ 1,982,979	$ 1,855,537
Liabilities		
Accounts payable	$ 48,205	$ 60,205
Accrued expenses	101,669	91,709
Deposits	39,062	35,128
Deferred revenue	104,681	77,928
Capital lease	3,451	2,930
Government advances for student loans	28,185	27,394
Postretirement and pension benefits	55,745	50,741
Bonds and notes payable	454,591	455,636
Total liabilities	835,589	801,671
Net assets		
Unrestricted	575,745	508,375
Temporarily restricted	261,203	255,460
Permanently restricted	310,442	290,031
Total net assets	1,147,390	1,053,866
Total liabilities and net assets	$ 1,982,979	$ 1,855,537

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

Drexel University and Subsidiaries
Consolidated Statement of Activities
Year Ended June 30, 2014

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Tuition and fees	$ 802,867			$ 802,867
Less: Institutional financial aid	(203,281)			(203,281)
Net student revenue	599,586			599,586
Patient care activities	109,364			109,364
State appropriations	8,179			8,179
Government grants, contracts	91,520	$ 484		92,004
Private grants and contracts	17,626			17,626
Private gifts	5,495	22,588		28,083
Endowment payout under spending formula	11,602	14,306	$ 155	26,063
Investment income	3,466	1,451		4,917
Sales and services of auxiliary enterprises	86,134			86,134
Other sources	14,518			14,518
Net assets released from restrictions	61,735	(61,936)	201	-
Total operating revenue	1,009,225	(23,107)	356	986,474
Operating expense				-
College programs	349,053			349,053
Research and public service	108,145			108,145
Academic support	28,954			28,954
Student services	46,780			46,780
Institutional support	130,060			130,060
Scholarships and fellowships	13,489			13,489
Auxiliary enterprises	45,015			45,015
Total education and general	721,496	-	-	721,496
Patient care activities	129,299			129,299
Operation and maintenance	52,940			52,940
Interest	17,957			17,957
Depreciation and amortization	43,326			43,326
Total operating expense	965,018	-	-	965,018
Change in net assets from operating activities	44,207	(23,107)	356	21,456
Nonoperating activity				
Endowment and other gifts	763	994	14,172	15,929
Realized/unrealized net gain on investments, net of endowment payout	26,936	34,856	5,883	67,675
Other nonoperating expense	(4,536)	(7,000)		(11,536)
Change in net assets from nonoperating activities	23,163	28,850	20,055	72,068
Change in net assets	67,370	5,743	20,411	93,524
Net assets				
Beginning of year	508,375	255,460	290,031	1,053,866
End of year	$ 575,745	$ 261,203	$ 310,442	$ 1,147,390

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

Drexel University and Subsidiaries
Consolidated Statement of Activities
Year Ended June 30, 2013

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Tuition and fees	$ 757,635	$ -	$ -	$ 757,635
Less: Institutional financial aid	(186,556)			(186,556)
Net student revenue	571,079			571,079
Patient care activities	101,991			101,991
State appropriations	8,210			8,210
Government grants, contracts	95,116			95,116
Private grants and contracts	14,519	1,585		16,104
Private gifts	7,156	32,624		39,780
Endowment payout under spending formula	11,680	14,514	143	26,337
Investment income	4,595	1,032		5,627
Sales and services of auxiliary enterprises	83,237			83,237
Other sources	17,786			17,786
Net assets released from restrictions	49,516	(49,692)	176	-
Total operating revenue	964,885	63	319	965,267
Operating expense				-
College programs	322,391			322,391
Research and public service	103,746			103,746
Academic support	27,385			27,385
Student services	44,865			44,865
Institutional support	116,007			116,007
Scholarships and fellowships	15,556			15,556
Auxiliary enterprises	44,826			44,826
Total education and general	674,776	-	-	674,776
Patient care activities	116,473			116,473
Operation and maintenance	48,063			48,063
Interest	19,221			19,221
Depreciation and amortization	37,885			37,885
Total operating expense	896,418	-	-	896,418
Change in net assets from operating activities	68,467	63	319	68,849
Nonoperating activity				
Endowment and other gifts			9,232	9,232
Realized/unrealized net gain on investments, net of endowment payout	6,374	14,519	3,988	24,881
Other nonoperating expense	4,571			4,571
Change in net assets from nonoperating activities	10,945	14,519	13,220	38,684
Change in net assets	79,412	14,582	13,539	107,533
Net assets				
Beginning of year	428,963	240,878	276,492	946,333
End of year	$ 508,375	$ 255,460	$ 290,031	$ 1,053,866

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

Drexel University and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(in thousands)	**2014**	**2013**
Cash flow from operating activities		
Increase in net assets	$ 93,524	$ 107,533
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	43,326	37,885
Provision for uncollectible accounts	5,706	4,525
Loss (gain) on disposal of equipment	1,563	(184)
Increase in beneficial interests in trusts	(2,833)	(9,716)
Contributions for long-term investment	(14,172)	(9,232)
Noncash contributions received	(2,791)	(14,676)
Proceeds from sales of donated securities	1,351	12,552
Actuarial change on annuity liabilities	653	1,689
Realized/unrealized gain on investments	(73,991)	(44,712)
Changes in operating assets and liabilities		
Accounts receivable	(2,244)	(13,904)
Contributions receivable	10,348	18,487
Other assets	(950)	(2,272)
Accounts payable and accrued expenses	5,954	(1,625)
Postretirement and pension benefits	5,004	(1,183)
Deposits	3,934	10,583
Deferred revenue	26,753	(949)
Net cash provided by operating activities	101,135	94,801
Cash flow from investing activities		
Purchase of investments	(123,609)	(112,882)
Proceeds from sale of investments	137,944	121,658
Proceeds from student loan collections	5,186	5,019
Student loans issued	(3,634)	(8,569)
Purchase of land, buildings and equipment	(133,651)	(138,206)
Use of deposits with bond trustees	28,521	56,672
Net cash used in investing activities	(89,243)	(76,308)
Cash flow from financing activities		
Contributions restricted for endowments	14,172	9,232
Proceeds from sales of donated securities	958	929
Payments on annuity obligations	(263)	(407)
Government advances for student loans	791	280
Proceeds from short-term borrowings	-	1,078
Proceeds from long-term borrowings	-	33,096
Repayment of long-term debt	(1,045)	(45,789)
Net cash provide by (used in) financing activities	14,613	(1,581)
Net increase in cash and cash equivalents	26,505	16,912
Cash and cash equivalents		
Beginning of year	87,504	70,592
End of year	$ 114,009	$ 87,504
Supplemental information		
Gifts in kind	$ 175	$ 1,669
Cash paid for interest	17,164	19,298
Amounts accrued for purchase of land, buildings and equipment	8,024	16,408
Donated securities	2,616	13,165

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

1. Summary of Significant Accounting Policies

Basis of Financial Statements

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

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

Permanently Restricted

Net assets explicitly required by donor to be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets. Such assets are included in the University's permanent endowment funds.

Temporarily Restricted

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

Unrestricted

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

Philadelphia Health & Education Corporation

The University owns 100% of the Philadelphia Health & Education Corporation ("PHEC"), doing business as Drexel University College of Medicine and providing teaching and administrative services for the education of the University's medical students and students in the health professions. PHEC is party to an Academic Affiliation Agreement with Tenet Healthcare Corporation ("Tenet") intended to establish a relationship to foster continued coordination and integration between PHEC and the Tenet hospitals whereby PHEC agrees to provide administrative, supervisory and teaching services to Tenet at budgeted levels. This agreement, dated November 10, 1998 and subsequently amended on April 25, 2002, is effective until June 30, 2022 and may be renewed thereafter for separate and successive five-year terms (Note 15).

On February 7, 2013 the PHEC Board of Trustees adopted a resolution to merge PHEC into Drexel. The Drexel Board of Trustees adopted the resolution to merge on February 20, 2013.

On April 11, 2014, the Philadelphia County Court of Common Pleas, Orphans' Court Division approved the merger of PHEC into Drexel, including the transfer of all of the assets of PHEC to Drexel with a target effective date of July 1, 2014.

In accordance with the resolutions, PHEC will merge with and onto Drexel, and the separate existence of PHEC will cease, effective July 1, 2014

Academy of Natural Sciences of Philadelphia
Pursuant to an affiliation agreement dated September 13, 2011, the University owns 100% of the Academy of Natural Sciences of Philadelphia, doing business as The Academy of Natural Sciences of Drexel University ("ANS"). ANS, founded in 1812, is an 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 systematics research and research in aquatic ecosystem, including integrating such research with education regarding biodiversity and the environmental science in collaboration with the University and its students. The balances and activities of ANS are included in the accompanying consolidated financial statements.

Academic Properties, Inc.
The University owns 100% of Academic Properties, Inc. ("API"), an 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. The balances and activities of API are included in the accompanying consolidated financial statements.

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

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

At June 30, 2014 and 2013, total assets of the RRRG totaled $25,591,000 and $36,771,000, respectively, and ownership equity totaled $2,173,000 and $12,393,000, respectively. The balances and activities of the RRRG are included in the accompanying consolidated financial statements.

As a result of the merger of PHEC and Drexel, effective as of July 1, 2014, the Schuylkill Crossing Reciprocal Risk Retention Group will terminate its license to provide insurance. All prior risks will be novated, substituted, and assumed by Drexel University Medical Professional Self-Insurance Trust for the primary layer and by a newly-formed captive, Dragon Risk Limited, Co. for the excess layers.

11th Street Family Health Services Inc.
11th Street Family Health Services Inc. (the “Corporation”), a Pennsylvania non-profit corporation, was formed on December 12, 2013. The Corporation is a non-profit real estate holding company of Drexel University, organized to operate in furtherance of the activities of Drexel University and to facilitate the use of new market tax credits in rehabilitating and expanding the structures located at 850 North 11th Street, Philadelphia. On December 23, 2013 the Corporation received a donation of certain real estate property known as 850 North 11th Street, Philadelphia Pennsylvania (the “Property”) from Drexel University. The Property is 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 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 is funded by a qualified low income community investment loan.

3509 Spring Garden
3509 Spring Garden, Limited Partnership (the “Partnership”) a Pennsylvania limited partnership, was formed on February 25, 2013 to acquire, own, rehabilitate and lease, manage and operate the 3509 Spring Garden property (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 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 qualified active low-income community business.

3509 Spring Garden, General Partner Inc.
3509 Spring Garden General Partner Inc., (the “Corporation”) a Pennsylvania corporation is the sole general partner in 3509 Spring Garden, Limited Partnership. Drexel University owns 10% of the outstanding stock of the Corporation, the remaining 90% is owned by the Corporation. The officers of the Corporation are also the officers and senior leadership of Drexel University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a for-profit single purpose entity was needed to own the property and to constitute a "Qualified Active Low Income Community Business" (the "QALICB"). The QALICB was established as a limited partnership, with the Corporation acting as the general partner and holding a 90% interest.

3509 Spring Garden Master Tenant, Limited Partnership
3509 Spring Garden Master Tenant, Limited Partnership (the “Partnership”) a Pennsylvania limited partnership, was formed on August 21, 2013 to lease, manage and operate property owned by 3509 Spring Garden Limited Partnership, a qualified active low-income community business (QALICB) as defined by Section 45D of the Internal Revenue code of 1986, as amended, and Section 1.45D-1(d)(4) of the Regulations. The Partnership has made an equity investment in the QALICB and is also a partner with a 10% interest. The Partnership consists of a general partner with 00.01% interest and a limited partner with a 99.99% interest. The Partnership and the QALICB have executed a HTC (Historic Tax Credit) Pass Through Agreement pursuant to which the QALICB will elect under Section 50 of the Internal Revenue Code to pass through to the Partnership the Federal Tax Credits to which the QALICB is entitled as a result of the historic buildings rehabilitation project.

3509 Spring Garden Master Tenant Manager Inc.

3509 Spring Garden Master Tenant Manager Inc., (the “Corporation”) a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden Master Tenant, Limited Partnership. Drexel University owns 10% of the outstanding stock of the Corporation, the remaining 90% is owned by the Corporation. The officers of the Corporation are also the officers and senior leadership of Drexel University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a separate for-profit single purpose entity was established to operate the sublease of the Spring Garden property to meet the Qualified Active Low Income Community Business (the "QALICB") requirements. An additional for-profit subsidiary of the University, 3509 Spring Garden Master Tenant Limited Partnership was established to act as the non-member manager of the property. The Master Tenant entity was established as a limited partnership, with the Corporation acting as the general partner and holding a 00.01% % interest.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. Included in cash and cash equivalent are amounts which are restricted in use by agency agreements, such as Federal government loan programs.

Contributions Receivable

Contributions and unconditional pledges are recorded at the present value of their expected future cash flows.

Beneficial Interests in Trusts

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 valued by the underlying securities held by the trusts and are primarily composed of equity and fixed income securities that have readily determinable values and would, if not for being held by third parties, be classified as Level 1. 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.

Fair Value of Financial Instruments

The University applies fair value measurements to contributions receivable in the year of receipt, beneficial interests in trusts, endowment investments, self-insurance escrow funds, real estate outside of the endowment, deposits with bond trustees, interest rate swaps and annuities. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans 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 loans receivable from students under Drexel’s loan programs approximate fair value. See Notes 4, 6, and 10 for additional fair value disclosures.

Patient Care Activities

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 patient care activities. Patient care activities 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. Provisions have been made in the consolidated financial statements to estimate contractual adjustments, representing the difference between the customary charges for services rendered and agreed upon rates.

Non-operating Activities
Non-operating activities include permanently restricted contributions, realized and unrealized (loss) gain on investments net of payouts under the endowment spending policies, loss on the disposal of equipment, postretirement benefit adjustment, severances, settlement of claims related to AHERF, and costs related to the upcoming merger of PHEC into Drexel.

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 nonprofit organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (Return of Organization Exempt from Income Tax) annually. No provision for income taxes is required in the University financial statements. However, DeL, a for-profit subsidiary of the University does record a provision for income taxes which is immaterial to the University's consolidated financial statements. The University files U.S. Federal, state and local information returns and no returns are currently under examination. 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 do from time to time incur incidental activities that are subject to unrelated business income for which appropriate income tax returns are filed. This primarily includes income from investments held in the endowment fund for which the investment manager has reported unrelated business income on a Schedule K-1 along with income from certain consulting and conference services.

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 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 its financial statements include any uncertain tax positions.

Accounting for Derivative Instruments and Hedging Activities
The University entered into a variable-to-fixed swap agreement with Wells Fargo Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The agreement resulted in a loss of $71,000 in 2014 and a gain of $2,391,000 in 2013. The fair value of the interest rate swap agreement was $(4,321,000) and ($4,250,000), respectively, at June 30, 2014 and 2013.

The University has also entered into a variable-to-fixed swap agreement with TD Bank, N.A., which converted the TD Bank loan to a fixed rate of 3.83% through the January 2014 termination date. The agreement resulted in a gain of $28,000 in 2014 and $145,000 in 2013. The fair value of the interest rate swap agreement was $0 and ($28,000) at June 30, 2014 and 2013.

The swap agreements are used by the University to reduce exposure to the volatility in variable interest rates on long-term debt (Note 10). There were no other swap agreements in effect as of June 30, 2014 or 2013. The estimated fair value of terminating the swap agreements is reported as accrued expenses in the consolidated statements of financial position. The change in the estimated fair value of terminating the interest rate swap agreement is included in realized and unrealized net (loss) gain on investments in the non-operating section of the consolidated statements of activities.

2. Net Assets

Net assets included the following:

(in thousands)	2014	2013
Unrestricted		
Undesignated	$ (253,288)	$ (250,848)
Designated for colleges, departments and student loans	104,213	96,908
Physical plant	477,471	447,563
Quasi-endowment funds	248,955	221,206
Reclassification for endowments with deficiencies	(1,606)	(6,454)
Total unrestricted	575,745	508,375
Temporarily restricted		
Funds for instruction, scholarships and capital expenditures		
Unexpended	142,496	159,858
Endowment realized and unrealized gain	113,767	81,892
Reclassification for endowments with deficiencies	1,606	6,454
Life income and term endowment funds	3,334	7,256
Total temporarily restricted	261,203	255,460
Permanently restricted		
Endowment principal	264,115	253,403
Beneficial interests in trusts	39,023	29,546
Student loans and others	7,304	7,082
Total permanently restricted	310,442	290,031
Total net assets	$ 1,147,390	$ 1,053,866

3. Receivables

Accounts receivable are reported at their net realizable value. Accounts are written off against the allowance for doubtful accounts when they are determined to be uncollectible based upon management's assessment of the individual accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of the accounts.

Accounts receivable, net of allowances, as of June 30 were as follows:

(in thousands)	**2014**	**2013**
Tuition	$ 68,816	$ 66,804
Grants, contracts and other	62,709	61,574
Patients, net of contractual allowances	14,342	13,811
Tenet Healthcare Corporation	1,768	3,202
	147,635	145,391
Less: Allowance for doubtful accounts	(26,186)	(19,196)
Accounts receivable, net	$ 121,449	$ 126,195

Student loans are disbursed based on financial need and include loans granted by the University from institutional resources and under Federal government loan programs. Students have a grace period until repayment is required based upon the earlier of graduation or no longer maintaining full-time status. The grace period varies depending on the type of loan. Loans accrue interest after the grace period and are repaid directly to the University. Student loans are uncollateralized and carry default risk.

The availability of funds for loans under Federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the Federal government of $28,185,000 and $27,394,000 at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the government.

At June 30, 2014 and 2013, student loans consisted of the following:

(in thousands)	**2014**	**2013**
Student loans		
Federal government loan programs		
Perkins loan program	$ 23,864	$ 24,494
Health professions student loans and loans for disadvantaged students	4,540	4,961
Nursing student loans	36	37
Federal government loan programs	28,440	29,492
Institutional loan programs	8,939	9,438
	37,379	38,930
Less allowance for doubtful accounts		
Balances at beginning of year	(3,074)	(3,035)
Change in provision for doubtful accounts	801	(39)
Balances at end of year	(2,273)	(3,074)
Student loans receivable, net	$ 35,106	$ 35,856

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 student loans receivable are 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 more than a year from the pledge date are recorded net of a discount which averaged 1.5% and 1.2% at June 30, 2014 and 2013, 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)	**2014**	**2013**
Amounts due in		
Less than one year	$ 16,197	$ 16,316
One to five years	28,070	37,414
Greater than five years	42,468	43,322
Gross contributions receivable	86,735	97,052
Less		
Allowance for uncollectibles	(777)	(1,259)
Discounts to present value	(13,624)	(13,593)
Total contributions receivable, net	$ 72,334	$ 82,200

Outstanding conditional promises to give amounted to $37,055,000 and $36,869,000 and at June 30, 2014 and 2013, respectively, which are dependent upon the fulfillment of certain conditions and, therefore, not included in the consolidated financial statements.

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

(in thousands)	**2014**	**2013**
Net contributions receivable at beginning of year	$ 82,200	$ 101,036
New pledges	21,211	18,173
Collections and adjustments	(31,517)	(35,375)
(Increase) decrease in allowance for uncollectibles	471	(448)
(Increase) decrease in present value discounts	(31)	(1,186)
Net contributions receivable at end of year	$ 72,334	$ 82,200

5. Investments and Investment Return

At June 30, 2014 and 2013, the fair value of investments included the following:

(in thousands)	Fair value 2014	Fair value 2013
Equity securities	$ 299,383	$ 244,603
Fixed income securities and bond funds	62,629	65,110
Alternative investments	88,002	77,535
Real estate and real assets	59,490	67,764
Directly-held real estate	119,345	110,445
Money market funds	6,741	10,790
Total endowment investments	635,590	576,247
Self-insurance escrow funds (Note 13)	12,638	10,858
Balanced index fund (Notes 13)	28,441	29,601
Total investments	$ 676,669	$ 616,706

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2014 and 2013:

(in thousands)	2014 Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 5,733	$ 1,161	$ -	$ 6,894
Net realized and unrealized gain	26,937	53,869	6,038	86,844
Return on investments	32,670	55,030	6,038	93,738
Interest income	3,700	1,451		5,151
Total return on investments	36,370	56,481	6,038	98,889
Investment return designated for current operations	(9,434)	(21,625)	(155)	(31,214)
Investment return net of amounts designated for current operations	$ 26,936	$ 34,856	$ 5,883	$ 67,675

(in thousands)	2013 Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 5,959	$ 551	$ -	$ 6,510
Net realized and unrealized gain	6,374	34,204	4,130	44,708
Return on investments	12,333	34,755	4,130	51,218
Interest income	4,595	1,032		5,627
Total return on investments	16,928	35,787	4,130	56,845
Investment return designated for current operations	(10,554)	(21,268)	(142)	(31,964)
Investment return net of amounts designated for current operations	$ 6,374	$ 14,519	$ 3,988	$ 24,881

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, certain bond investments, mutual funds, structured products, and interest rate swaps.

Level 3 Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of partnership investments in hedge funds, alternative and private equities, contributions receivable and annuities, directly held real estate, and real estate portfolio investments.

As a practical expedient, the University estimates the fair value of an investment in an investment company 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 that do not have readily determinable fair values are based on historical cost, 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 University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies. During 2014, the University determined that trusts included in level 1 should be reclassified to level 3. The University's policy is to recognize such transfers at the end of the reporting period therefore these hierarchy level changes were recognized on June 30, 2014.

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

	2014			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Deposits with bond trustees	$ 1,983	$ -	$ -	$ 1,983
Beneficial interests in trusts			56,438	56,438
Investments				
Equity securities	268,461	30,922		299,383
Fixed income securities and bond funds	11,603	51,026		62,629
Alternative investments			88,002	88,002
Real estate and real assets funds	1,014	16,269	42,207	59,490
Directly-held real estate			119,345	119,345
Money market funds	6,741			6,741
Investments held in endowment	287,819	98,217	249,554	635,590
Self-insurance escrow funds (Note 13)	12,638			12,638
Balanced index fund (Note 13)	28,441			28,441
Total investments	328,898	98,217	249,554	676,669
Total assets at fair value	$ 330,881	$ 98,217	$ 305,992	$ 735,090
Liabilities				
Interest rate swaps (Note 1)	$ -	$ 4,321	$ -	$ 4,321
Annuities			6,430	6,430
Total liabilities at fair value	$ -	$ 4,321	$ 6,430	$ 10,751

	2013			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Deposits with bond trustees	$ 30,504	$ -	$ -	$ 30,504
Beneficial interests in trusts	-	-	53,605	53,605
Investments				
Equity securities	216,566	28,037	-	244,603
Fixed income securities and bond funds	16,687	48,423	-	65,110
Alternative investments	-	-	77,535	77,535
Real estate and real assets funds	910	21,928	44,926	67,764
Directly-held real estate	-	-	110,445	110,445
Money market funds	10,790	-	-	10,790
Investments held in endowment	244,953	98,388	232,906	576,247
Self-insurance escrow funds (Note 13)	10,858	-	-	10,858
Balanced index fund (Note 13)	29,601	-	-	29,601
Total investments	285,412	98,388	232,906	616,706
Total assets at fair value	$ 315,916	$ 98,388	$ 286,511	$ 700,815
Liabilities				
Interest rate swaps (Note 1)	$ -	$ 4,279	$ -	$ 4,279
Annuities	-	-	6,040	6,040
Total liabilities at fair value	$ -	$ 4,279	$ 6,040	$ 10,319

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

	2014			
(in thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Multi-Strategy Hedge Funds (a)	$ 16,875		Annual/Quarterly	45–60/65 days
Distressed Debt Hedge Funds (b)	12,709		Annual/Quarterly	90 days
Fixed Income and Related Hedge Funds (c)	15,563		Monthly/Quarterly	45/65 days
Private Capital Funds-Secondaries (d)	11,427	$ 8,307		
Private Capital Funds-Venture Capital (e)	4,211	2,785		
Private Capital Funds - Distrissed Assets (f)	1,194	2,832		
Private Capital Funds-Buy-out (g)	2,565	621		
Real Asset Funds (h)	16,401	11,883		
Real Estate Funds (i)	12,178	2,012		
Long/Short Equity Hedge Funds (j)	12,034		Annual/Quarterly	95/45 days
Private Capital Funds-Hedge Fund Seeder (k)	5,898	1,919		
Private Capital Funds-Mezzanine Debt (l)	5,525	4,367		
	$ 116,581	$ 34,726		

	2013			
(in thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Multi-Strategy Hedge Funds (a)	$ 15,495	$ -	Annual/Quarterly	45–60/65 days
Distressed Debt Hedge Funds (b)	12,495	-	Annual/Quarterly	90 days
Fixed Income and Related Hedge Funds (c)	13,579	-	Monthly/Quarterly	10–60/65 days
Private Capital Funds-Secondaries (d)	10,553	11,290		
Private Capital Funds-Venture Capital (e)	2,852	625		
Private Capital Funds-Buy-out (g)	3,927	743		
Real Asset Funds (h)	16,176	12,455		
Real Estate Funds (i)	28,750	3,630		
Long/Short Equity Hedge Funds (j)	10,854	-	Annual/Quarterly	60/45 days
Private Capital Funds-Hedge Fund Seeder (k)	4,267	3,386		
Private Capital Funds-Mezzanine Debt (l)	3,513	6,402		
	$ 122,461	$ 38,531		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2014 and 2013, respectively, the composite portfolio includes approximately 54% and 48% in distressed investments with a liquidation period of 1 to 3 years, 24% and 23% arbitrage opportunities, 5% and 17% in cash, 8% and 9% long/short equity and 8% and 3% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. 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 debt of companies in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair value has been estimated using the reported net asset value per share of the hedge fund.

c. This category includes investment in hedge funds that invest in U.S. mortgage backed securities. 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. It is estimated that the underlying assets of the fund would be liquidated over 1 to 9 years at June 30, 2014 (2 to 12 years at June 30, 2013). 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. It is estimated that the underlying assets of the fund would be liquidated over 1 to 2 years (1 to 3 years at June 30, 2013). 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 the distressed asset and middle market corporate distressed markets. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund would be liquidated over 6 to 9 years at June 30, 2014 (new investment in 2014). 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 invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are primarily in U.S. technology and healthcare companies with one investment dedicated to Asian companies. 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, 2014, it is estimated that the underlying assets of the fund would be liquidated over 1 to 2 years. As of June 30, 2013, it is estimated that the underlying assets would be liquidated over 1 to 2 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 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. It is estimated that the underlying assets of the fund would be liquidated over 4 to 8 years at June 30, 2014 (4 to 11 years at June 30, 2013). 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. At June 30, 2014 and 2013, respectively, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 48% and 31% in 1 to 4 years, 52% in 5 to 7 years, and 0% to 17% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate fund.

j. This category includes investments in hedge funds that invest primarily in U.S. common stocks with both long and short strategies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

k. This category includes investments in private equity funds that invest in newly-started hedge funds that pursue multiple strategies. The fund provides start-up funding to hedge funds of various strategies with the potential to share in the appreciation of the investment, as well as to share in the management fees gathered by the underlying start-up hedge funds. As of June 30, 2014 and 2013, respectively, the fund's underlying investments were 52% and 53% long/short global equity, 8% and 10% in macro and commodity trading, 20% and 13% in diversified credit, 9% and 12% in arbitrage opportunities, and 11% and 12% in global event-driven opportunities. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets would be liquidated in 2 to 7 years at June 30, 2014 and 2013. The fair value has been estimated using the reported net asset value per share of the private capital fund.

l. This category includes investments in private equity funds that provide mezzanine debt financing to middle market firms. Mezzanine debt differs from mortgage debt in that the mezzanine debt is backed by equity interests in the borrowing firm, versus mortgage financing which is backed by the asset. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund would be liquidated over 2 to 8 years at June 30, 2014 (3 to 8 years at June 30, 2013). The fair value has been estimated using the reported net asset value per share of the private capital fund.

The change in the University's Level 3 assets and liabilities as of June 30 included the following:

(in thousands)	2014	2013
Assets at beginning of year	$ 286,511	$ 108,051
Net unrealized gain	7,221	5,406
Net realized gain (loss)	3,005	(2,600)
Purchases	24,281	21,589
Sales	(18,418)	(9,985)
Real estate and real assets funds transferred from level 2	-	110,445
Funds transferred from Level 1	3,392	-
Funds transferred from Level 2	-	53,605
Assets at end of year	$ 305,992	$ 286,511

(in thousands)	2014	2013
Annuities at beginning of year	$ 6,040	$ 4,342
Actuarial change on annuity liabilities	653	1,689
Payments on annuity liabilities	(263)	(407)
ANS annuity liabilities transferred	-	416
Annuities at end of year	$ 6,430	$ 6,040

Investment in real estate and real estate funds reflect the fair value of the specific assets or the underlying ventures' net assets. The valuations of real estate investments are updated periodically through valuation estimates prepared by an independent valuation expert or by estimates prepared by the underlying real estate holding entity's General Partner for real estate funds.

The significant unobservable inputs used in the fair value measurements of the University's investments in real estate are the selection of certain investment rates (Discount Rate, Terminal Capitalization Rate, and Overall Capitalization Rate). Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement, respectively.

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements as of June 30, 2014:

(in thousands)		Fair Value June 30, 2014	Valuation Techniques	Unobservable Inputs	Ranges Low	High
Investment in Real Estate and Real Estate Funds	$	42,172	Income Capitalization Approach - Discounted Cash Flow	Discount Rate	0.00%	0.00%
				Terminal Cap Rate	0.00%	0.00%
Directly-held Real Estate	$	119,345	Income Capitalization Approach - Discounted Cash Flow	Discount Rate	0.00%	0.00%
				Terminal Cap Rate	0.00%	0.00%
			Income Capitalization Approach - Direct Capitalization	Overall Cap Rate	0.00%	0.00%
				Gross Rent Multiplier	0.00	0.00

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, 2014 and 2013, the University and PHEC had an endowment spending rule that limited the spending of endowment resources to 4.75% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years. The ANS spending rule was 6.5% of a seven year rolling average for the years ended June 30, 2014 and 2013.

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. As a result of this interpretation, the University 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.

Endowment net asset composition by type of fund as of June 30 was as follows:

	2014			
(in thousands)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ 23,584	$ 143,460	$ 263,405	$ 430,449
Board-designated endowment funds	208,190			208,190
Total net assets	$ 231,774	$ 143,460	$ 263,405	$ 638,639

	2013			
(in thousands)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ 19,590	$ 111,495	$ 245,290	$ 376,375
Board-designated endowment funds	194,181		-	194,181
Total net assets	$ 213,771	$ 111,495	$ 245,290	$ 570,556

Changes in the University's endowment net assets for the years ended June 30, 2014 and 2013 were as follows:

	2014			
(in thousands)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets at beginning of year	$ 213,771	$ 111,495	$ 245,290	$ 570,556
Investment return				
Investment income, net of fees	2,815	5,103	190	8,108
Net realized gain	3,540	6,821	731	11,092
Net unrealized gain	10,784	50,957	6,134	67,875
Reclassification for funds with deficiencies	4,847	(4,847)	-	-
Total endowment return	21,986	58,034	7,055	87,075
Contributions	797	(10,245)	13,701	4,253
Use of endowment assets				
Annual transfer for operations	(9,649)	(13,739)	(2,645)	(26,033)
Other transfers	4,869	(2,085)	4	2,788
Total uses	(4,780)	(15,824)	(2,641)	(23,245)
Endowment net assets at end of year	$ 231,774	$ 143,460	$ 263,405	$ 638,639

	2013			
(in thousands)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets at beginning of year	$ 205,078	$ 86,989	$ 242,383	$ 534,450
Investment return				
Investment income, net of fees	2,981	3,906	772	7,659
Net realized gain	3,909	5,752	-	9,661
Net unrealized gain	8,409	17,790	3,587	29,786
Reclassification for funds with deficiencies	2,110	(2,110)	-	-
Total endowment return	17,409	25,338	4,359	47,106
Contributions		12,176	3,029	15,205
Use of endowment assets				
Annual transfer for operations	(9,348)	(14,268)	(2,534)	(26,150)
Other transfers	632	1,260	(1,947)	(55)
Total uses	(8,716)	(13,008)	(4,481)	(26,205)
Endowment net assets at end of year	$ 213,771	$ 111,495	$ 245,290	$ 570,556

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 unrestricted net assets in the consolidated statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies were $1,606,000 and $6,454,000 as of June 30, 2014 and 2013, respectively.

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 is computed on a straight-line basis over the lesser of the estimated useful lives of the assets (or term of the lease) or depreciated over the following useful lives: for equipment, between 3 and 30 years; software, between 3 and 7 years; land and building improvements, between 5 and 25 years; and buildings, between 30 and 60 years.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was $3,149,000 and $5,593,000 at June 30, 2014 and $809,000 and $3,110,000 at June 30, 2013, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the consolidated statements of financial position. In 2014 and 2013, depreciation and accretion expense amounted to $61,000 and $62,000, respectively, and $134,000 and $121,000, respectively.

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

(in thousands)	**2014**	**2013**
Works of art	$ 10,867	$ 10,670
Land and improvements	119,126	80,486
Buildings and improvements	895,438	775,593
Equipment, software and library books	206,041	182,834
Construction in progress	48,662	105,464
	1,280,134	1,155,047
Less: Accumulated depreciation	(395,327)	(351,314)
Total land, buildings and equipment	$ 884,807	$ 803,733

9. Leases

Future minimum payments by year and in the aggregate under non-cancelable operating leases, with initial or remaining terms of one year or more, are as follows:

(in thousands)	
2015	$ 17,000
2016	16,181
2017	15,195
2018	14,424
2019	13,761
Thereafter	43,900
Total minimum lease payments	$ 120,461

Total rent expense for operating leases amounted to $22,705,000 and $21,854,000 for the years ended June 30, 2014 and 2013, respectively.

The University leases educational, research, and medical office space from Tenet under an operating lease expiring June 30, 2022. The future minimum payments are included in the table above. Total rent expense for the Tenet operating lease was $7,991,000 for each of the years ended June 30, 2014 and 2013.

The University entered into an agreement with the Commonwealth of Pennsylvania (the "Commonwealth") on August 1, 2002 to lease space in the Armory Building (the "Armory") at no cost for an initial period of fifty years during which time the University agreed to complete certain improvements to the Armory at the University's expense. Thereafter, the lease may be renewed for two, additional twenty-year periods at fair value. In the event the Commonwealth should desire to sell the property during the initial or additional lease periods, the University has the option to purchase the Armory for $1,700,000, adjusted for inflation. There were no expenditures for improvements in fiscal years 2014 or 2013. Estimated costs for the required improvements amounted to $2,867,000 and $2,930,000 at June 30, 2014 and 2013, respectively. These costs have been capitalized and a comparable capital lease liability recorded.

10. Bonds and Notes Payable

(in thousands)	Project	Maturity	Interest Rate	2014	2013
Description					
Dormitory Bonds of 1965	Kelly Hall	2014-2015	3.00-3.50%	$ 110	$ 220
Dormitory Bonds of 1969	Calhoun Hall	2014-2019	3.00%	360	425
Philadelphia Industrial Development Corp.	Abbotts demolition/ parking lot	2014-2015	3.00%	86	198
Pennsylvania Higher Educational Facilities Authority Revenue Bonds					
Second Series of 2000	Capital improvements and equipment	2019-2026	Variable	22,500	22,500
Series B of 2002	Matheson Hall improvements, new research center, other improvements	2015-2032	Variable	42,140	42,140
Series A of 2005	Capital improvements and equipment	2014-2034	3.20-5.00%	27,126	28,184
Series B of 2005	Advance refunding	2019-2030	Variable	29,625	29,625
Series A of 2007	New laboratory	2030-2037	4.50-5.00%	95,521	95,661
Series B of 2007	Dormitory & Wellness Center; capital improvements and equipment	2014-2037	Variable	27,025	27,675
Series A of 2011	Partial cost of buildings for the Colleges of Business and Media Arts & Design, Department of Biology; Stratton Hall renovations; refunding	2014-2041	2.00-5.25%	155,564	157,514
Series of 2012	Refunding	2014-2032	1.00-5.00%	28,375	30,540
TD bank loan	3501 Market & 3401 Filbert Street buildings				
PHEC					
Pennsylvania Higher Educational Facilities Authority Revenue Bonds Series of 2007	Refund mortgage, capital improvements and equipment	2014-2037	3.75-5.00%	20,433	20,943
Academic Properties, Inc.					
Philadelphia Industrial Development Corp.	One Drexel Plaza Evening College renovations	2014	3.00%	-	11
11th Street Family Health Services Inc.					
The Reinvestment Fund, Inc.	New Market Tax Credit Program	2043	1.297%	2,717	-
3509 Spring Garden, LP					
Philadelphia Industrial Development Corp.	New Market Tax Credit Program	2044	1.517%	1,964	-
USBCDE LLC	New Market Tax Credit Program	2044	1.00%	1,045	-
Total bonds and notes payable				$ 454,591	$ 455,636

The variable rates of interest on the Pennsylvania Higher Educational Facilities Authority Revenue Bonds are based on the weekly rate determined by the remarketing or auction agent, not to exceed 16% per annum. The total market value of the $438,550,000 bonds was $459,664,000 at June 30, 2014, based on a comparison to current interest rates. The bonds are considered to be a Level 2 liability.

The Dormitory bonds of 1965 and 1969 are collateralized by first mortgages on the associated buildings and first liens on, and pledges of, the net revenues derived from the building operations.

The 2000, 2002, 2005, 2007 2011 and 2012 bonds are secured by a security interest in unrestricted gross revenues. The TD Bank loan is secured by a first property lien on the properties. The Philadelphia Industrial Development Corporation loans are secured by a mortgage lien on One Drexel Plaza.

Debt maturities for the fiscal years ending June 30 are as follows:

(in thousands)	Maturities	Remarketed Debt	Total Debt
2015	$ 8,749	$ 680	$ 9,429
2016	10,438	710	11,148
2017	11,438	745	12,183
2018	11,913	780	12,693
2019	8,568	4,790	13,358
Thereafter	282,195	113,585	$ 395,780
			$ 454,591

The Second Series of 2000 and Series B of 2002, Series B of 2005 and Series B of 2007 bonds have remarketing terms and related standby letters of credit which could change the maturity dates to the fiscal years 2016, 2015 and 2014, respectively, based on the current expiration dates of the letters of credit (see Note 14). These issues have been included in the above table based on the stated maturity dates. The University is in compliance with the covenants contained in the various loan agreements.

Lines of Credit

PHEC entered into a term note - line of credit of $3,500,000 for equipment purchases that accrues interest based on Libor plus 1.25%. Advances are available through June 30, 2014, with equal payments of principal and interest due sixty months thereafter. The line of credit is secured by a lien and security interest in deposits or other sums held by the lender or its affiliates. There were no amounts outstanding at June 30, 2014 and 2013.

Total unsecured Revolving Credit Facilities (“Facilities”) of $55,000,000 matures on December 31, 2015, and accrues interest based on Libor (subject to a floor of 0.75%) for the University. It can be extended annually based upon the mutual agreement of the University and the bank maintaining the Facilities. At June 30, 2014, the interest rate was .75% and there were no amounts outstanding.

11. Retirement Plans

Defined Benefit and Defined Contribution Plans

The University and PHEC maintain contributory retirement plans which provide for the purchase of annuity contracts and mutual funds for the majority of full-time faculty and certain nonacademic employees. . The University also participates in a contributory retirement plan 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 $32,976,000 and $30,802,000 in 2014 and 2013, respectively.

The ANS defined contribution plan does not provide for a predefined employer contribution. The Board of Directors may declare an employer contribution at their discretion. The defined contribution plan is a calendar year plan, with declared employer contributions made at the conclusion of the plan year.

The assumptions for the pension liabilities, the Accumulated Benefit Obligation, change in Projected Benefit Obligation, and change in Plan Assets for the ANS defined benefit pension plan are noted as follows:

(in thousands)	**2014**	**2013**
Weighted average assumptions as of June 30		
Discount rate	4.40 %	5.00 %
Expected return on plan assets	6.50 %	6.75 %
Accumulated benefit obligation		
Accumulated benefit obligation at June 30	$ 16,193	$ 14,841
Change projected in benefit obligation		
Net benefit obligation at June 30	$ 14,841	$ 15,468
Service costs	125	92
Interest costs	725	665
Actuarial (gain)/loss	1,191	(771)
Gross benefits paid	(689)	(613)
Net benefit obligation at June 30	$ 16,193	$ 14,841

(in thousands)	**2014**	**2013**
Change in plan assets		
Fair value of plan assets at beginning of year	$ 9,338	$ 8,645
Actual return on plan assets	1,054	760
Employer contributions	566	546
Gross benefits paid	(689)	(613)
Fair value of plan assets at June 30	$ 10,269	$ 9,338
Fair value of plan assets	$ 10,269	$ 9,338
Benefit obligation	(16,193)	(14,841)
Net amount recognized at June 30*	$ (5,924)	$ (5,503)

* These amounts are recognized in the financial statements including the statement of financial position in the Other Liabilities classifications.

The components of net periodic benefit cost are noted below:

(in thousands)	**2014**	**2013**
Weighted average assumptions used to used to determine net periodic benefit cost		
Discount rate	5.00 %	4.40 %
Expected return on plan assets	6.75 %	6.75 %
Components of net periodic benefit cost		
Service costs	$ 125	$ 92
Interest costs	725	665
Expected return on assets	(629)	(587)
Amortization of actuarial (gain) loss	766	(944)
Net periodic benefit cost	$ 987	$ (774)

As of June 30, 2014 and 2013, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan are as follows as of June 30:

	Projected Benefit Obligation Exceeds Fair Value of Plan Assets	
	2014	**2013**
Projected benefit obligation	$ 16,193,353	$ 14,841,014
Fair value of plan assets	10,268,861	9,337,491

	Accumulated Benefit Obligation Exceeds Fair Value of Plan Assets	
	2014	**2013**
Accumulated benefit obligation	$ 16,193,353	$ 14,841,014
Fair value of plan assets	10,268,861	9,337,491

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

Expected benefit payments		
2015	$	711
2016		758
2017		830
2018		903
2019		949
2020-2024		5,167

Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2014 and 2013 by asset category are as follows:

(in thousands)	**2014**	**2013**
Asset category		
Equity securities	34.0 %	30.6 %
Fixed income securities	36.0 %	37.5 %
Hedge fund and alternative investments	11.9 %	28.0 %
Cash	18.1 %	3.9 %
	100.0 %	100.0 %

The ANS investment policy and strategy is to shift investments to the target allocation to control the volatility of investment returns for the portfolio. As the investment horizon is expected to be long-term, the portfolio needs to provide long-term capital growth while also being protected from incurring major losses due to the poor performance of one sector of the market and must be invested to reduce the overall investment risk and volatility of investment returns.

The target composition of the Academy's plan assets is characterized as a 35%, 12%, 37% allocation between equity, alternative investments and fixed income investments. The strategy currently utilizes indexed equity funds and fixed income funds, and a number of alternative investment vehicles. The alternative investments are allocated among various classes, including but not limited to: equities, hedge funds, fixed income, natural resources, and real estate. The strategy allows the Academy to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

The following table sets forth by level, within the fair value hierarchy, the ANS pension plan assets at fair value at June 30, 2014 and 2013:

	2014			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value				
Cash equivalents	$ 1,862	$ -	$ -	$ 1,862
Mutual funds	6,691			6,691
Alternative investments		495	1,221	1,716
	$ 8,553	$ 495	$ 1,221	$ 10,269

	2013			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value				
Cash equivalents	$ 356	$ -	$ -	$ 356
Mutual funds	5,885	-	-	5,885
Alternative investments	-	-	3,097	3,097
	$ 6,241	$ -	$ 3,097	$ 9,338

The following table sets forth a summary of changes in the fair value of ANS plan's Level 3 assets for the years ended June 30, 2014 and 2013:

(in thousands)	**2014**	**2013**
Assets at beginning of year	$ 3,097	$ 3,034
Dividends and interest		38
Net unrealized gain		196
Transfers out		(171)
Assets at end of year	$ 3,097	$ 3,097

12. Other Post-Retirement Benefits

In addition to retirement plan benefits, the University also provides postretirement benefits to retirees in the form of group life insurance, major medical insurance and tuition remission. University employees may become eligible for these benefits if they reach the age and service requirements of the plans while working for the University. The postretirement health care plan is contributory, and the life insurance plan is noncontributory.

The net periodic postretirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to $1,015,000 and ($3,910,000) respectively, for the years ended 2014 and 2013 and are reflected in the consolidated statements of activities and included in postretirement benefits in the consolidated statements of financial position.

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

Plans Funded Status

(in thousands)	2014	2013
Change in benefit obligation		
Benefit obligation, beginning of year	$ 45,088	$ 45,017
Service cost	2,155	2,266
Interest cost	1,993	1,818
Actuarial (gain)/loss	2,101	(2,265)
Plan participant contributions	159	353
Actual benefits paid	(1,770)	(2,101)
Benefit obligation, end of year	49,726	45,088
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	1,611	1,748
Plan participant contributions	159	353
Actual benefits paid	(1,770)	(2,101)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan	$ 49,726	$ 45,088

Weighted average assumptions to determine benefit obligations and net cost as of June 30		
Discount rate	4.65%	4.10%
Ultimate retiree health care cost trend	5.00%	5.00%
Year ultimate trend rate is achieved	2025	2025

For measurement purposes, a 9.4% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014 grading down to ultimate rates of 5.0% in the year 2025 and thereafter.

Net Periodic Benefit Cost

(in thousands)	**2014**	**2013**
Components of net periodic benefit cost		
Service cost	$ 2,155	$ 2,266
Interest cost	1,993	1,818
Amortization of net (gain)/loss	1,086	1,645
Net periodic benefit cost	$ 5,234	$ 5,729
Other changes recognized in unrestricted net assets		
Net actuarial (gain)/loss	$ 2,101	$ (2,265)
Amortization of actuarial net (gain)/loss	(1,086)	(1,645)
Total recognized in unrestricted net assets	$ 1,015	$ (3,910)
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Actuarial (gain)/loss	$ 18,502	$ 17,487
Amounts in unrestricted net assets, end of year	$ 18,502	$ 17,487
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in fiscal 2015		
Actuarial (gain)/loss	$ 1,236	

In 2014 and 2013, the effect of a 1% change in the health care cost trend rate is as follows:

	2014		**2013**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Effect on net periodic benefit cost	$ 0	$ 0	$ 4,659	$ (4,091)
Effect on postretirement benefit obligation	0	0	20,361	(18,399)

Contributions:
Expected contributions for the 2015 fiscal year are $2,187,000.

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)

Year Ending June 30,		
2015	$	2,187
2016		2,272
2017		2,359
2018		2,454
2019		2,562
Thereafter		14,420

13. Professional Liability Insurance

PHEC maintained commercial, occurrence-based insurance coverage for professional liability claims that occurred from November 10, 1998 through November 10, 2003. Beginning on November 10, 2003, PHEC purchased primary and excess insurance coverage from the RRRG on a claims-made basis. The RRRG provides primary coverage of $500,000 for physicians and midwives and up to $1,000,000 for other health professions and entity coverage. PHEC's 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, PHEC self-insures a layer of excess of up to $2,000,000 above the Mcare Fund. The RRRG provides excess coverage above the self-insured layer of an additional $5,000,000.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2014 and 2013, the University, PHEC and the RRRG recorded gross combined reserves of $35,209,000 and $31,623,000, respectively, and related recoveries from third party insurers of $5,092,000 and $5,300,000, respectively. For fiscal years 2014 and 2013, the reserves were discounted at 6.25% for the RRRG retained layer and 2% for the layers retained by University, PHEC and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2014 consolidated statements of financial position. In 2014, the liability, net of the reinsurance recovery, is recorded in accrued expenses. At June 30, 2014 and 2013, escrow funds of $15,133,000 and $13,091,000, respectively, and balanced index funds of $28,441,000 and $29,601,000 at June 30, 2014 and 2013, respectively, are available to fund these liabilities (Note 5).

14. Commitments and Contingencies

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements and reimbursement for patient services. Federal government activity has continued with respect to investigations and allegations concerning possible violation of billing regulations by healthcare providers. Violations of these regulations could result in the imposition of significant fines and penalties and have a significant effect on reported activities or cash flow.

Management believes that PHEC is in compliance with applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Litigation

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 management, 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

PHEC maintains a letter of credit in the amount of $225,000, as required by the Department of Environmental Protection, in connection with the disposal of nuclear medical waste. The letter of credit is renewed annually. There were no amounts outstanding as of June 30, 2014 and 2013.

The University maintains four letters of credit totaling $2,200,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2014 and 2013.

The University has the following letters of credit for bonds having remarketing terms:

- The Second Series of 2000 bond has a letter of credit in an amount not to exceed $22,500,000, plus required interest coverage, which will expire June 1, 2016.

- The Series B of 2002 bond has a letter of credit in an amount not to exceed $42,140,000, plus required interest coverage, which will expire June 1, 2016.

- The Series B of 2005 bond has a letter of credit in an amount not to exceed $30,047,055 which will expire September 30, 2014.

- The Series B of 2007 bond has a letter of credit in an amount not to exceed $29,879,704, plus required accrued interest, which will expire October 3, 2015.

There were no amounts outstanding on these bond-related Letters of Credit as of June 30, 2014 and 2013.

The University also maintains a letter of credit in an amount not to exceed $287,253 as required by the U.S. Department of Education in connection with Federal student loans. It will expire on May 1, 2015 and is automatically renewed annually unless notified by the University of an election not to renew. There was no amount outstanding as of June 30, 2014.

15. Related Party Transactions

PHEC has various operating agreements with Tenet. Under these agreements, PHEC acts both as a purchaser and provider of services. Total services purchased from Tenet for the years ended June 30, 2014 and 2013 were $12,377,000 and $12,269,000, respectively. These services include charges for various personnel, administrative and support services related to operating PHEC and rent. Services provided to Tenet include administrative, supervisory and teaching services connected with faculty physician and residency programs and services and support provided by physicians to support hospital operations. Total charges to Tenet for these services amounted to $23,283,000 and $23,836,000 for the years ended June 30, 2014 and 2013, respectively, and are mainly included in patient care activities revenue in the accompanying consolidated statements of activities.

16. Operating Expenses

Expenses for the operation and maintenance of plant, depreciation and interest are not included in the University's patient care and education and general expense categories in the consolidated statements of activities. The allocation of those expenses, based on the space assigned to each, is as follows:

(in thousands)	**2014**	**2013**
College programs	$ 37,490	$ 34,312
Research and public service	20,547	20,007
Academic support	6,299	6,177
Student services	14,216	12,855
Institutional support	10,410	7,668
Auxiliary enterprises	22,386	21,238
Patient care activities	2,875	2,912
	$ 114,223	$ 105,169

17. Subsequent Events

The University evaluated events subsequent to June 30, 2014 through October 31, 2014 and determined that there were no additional events requiring adjustment to or disclosure in the consolidated financial statements.

Supplemental Schedules

Drexel University and Subsidiaries
Supplemental Consolidating Schedule of Financial Position
June 30, 2014

(in thousands)	Drexel University, API, DeL, ANS, 11th Street, and 3509 Spring Garden Entities	PHEC and RRRG	Elimination Adjustments	Total
Assets				
Cash and cash equivalents				
Operating cash	$ 77,308	$ 29,684	$ -	$ 106,992
Restricted cash	2,441	4,576	-	7,017
Accounts receivable, net				
Tuition	50,720	15,511	(15,511)	50,720
Grants, contracts and other	44,259	16,681	-	60,940
Patients	-	8,043	-	8,043
Tenet healthcare corporation	-	1,746	-	1,746
Total accounts receivable, net	94,979	41,981	(15,511)	121,449
Contributions receivable, net	70,782	1,552	-	72,334
Other assets	17,121	3,063		20,184
Deposits with bond trustees	492	1,491	-	1,983
Student loans receivable, net	25,674	9,432	-	35,106
Beneficial interests in trusts	26,761	29,677	-	56,438
Investments	502,771	173,898	-	676,669
Land, buildings and equipment, net	826,939	60,078	(2,210)	884,807
Total assets	$ 1,645,268	$ 355,432	$ (17,721)	$ 1,982,979
Liabilities				
Accounts payable	$ 40,672	$ 7,533	-	$ 48,205
Accrued expenses	56,389	45,280	-	101,669
Payable to affiliate	15,511	0	(15,511)	-
Deposits	23,517	15,545	-	39,062
Deferred revenue	103,311	1,370	-	104,681
Capital leases, affiliate and other	3,451	2,210	(2,210)	3,451
Government advances for student loans	14,177	14,008	-	28,185
Postretirement benefits	55,745	0	-	55,745
Bonds and notes payable	434,158	20,433	-	454,591
Total liabilities	746,931	106,379	(17,721)	835,589
Net assets				
Unrestricted	540,121	35,624	0	575,745
Temporarily restricted	176,683	84,520	0	261,203
Permanently restricted	181,533	128,909	0	310,442
Total net assets	898,337	249,053	-	1,147,390
Total liabilities and net assets	$ 1,645,268	$ 355,432	$ (17,721)	$ 1,982,979

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

Drexel University and Subsidiaries
Supplemental Consolidating Schedule of Financial Position
June 30, 2013

(in thousands)	Drexel University, API, DeL and ANS	PHEC and RRRG	Elimination Adjustments	Total
Assets				
Cash and cash equivalents				
Operating cash	$ 61,105	$ 20,327	$ -	$ 81,432
Risk retention group cash	-	6,072	-	6,072
Accounts receivable, net				
Tuition	54,244	2,452	(2,452)	54,244
Grants, contracts and other	43,518	16,777	-	60,295
Patients	-	8,537	-	8,537
Tenet healthcare corporation	-	3,119	-	3,119
Total accounts receivable, net	97,762	30,885	(2,452)	126,195
Contributions receivable, net	80,543	1,657	-	82,200
Other assets	15,657	3,577	-	19,234
Deposits with bond trustees	29,013	1,491	-	30,504
Student loans receivable, net	24,992	10,864	-	35,856
Beneficial interests in trusts	24,236	29,369	-	53,605
Investments	451,057	165,649	-	616,706
Land, buildings and equipment, net	747,561	58,540	(2,368)	803,733
Total assets	$ 1,531,926	$ 328,431	$ (4,820)	$ 1,855,537
Liabilities				
Accounts payable	$ 51,708	$ 8,497	$ -	$ 60,205
Accrued expenses	50,557	41,152	-	91,709
Payable to affiliate	2,452	-	(2,452)	-
Deposits	20,240	14,888	-	35,128
Deferred revenue	75,905	2,023	-	77,928
Capital leases, affiliate and other	2,930	2,368	-	5,298
Government advances for student loans	13,637	13,757	-	27,394
Postretirement benefits	50,741	-	(2,368)	48,373
Bonds and notes payable	434,693	20,943	-	455,636
Total liabilities	702,863	103,628	(4,820)	801,671
Net assets				
Unrestricted	473,410	34,965	-	508,375
Temporarily restricted	187,545	67,915	-	255,460
Permanently restricted	168,108	121,923	-	290,031
Total net assets	829,063	224,803	-	1,053,866
Total liabilities and net assets	$ 1,531,926	$ 328,431	$ (4,820)	$ 1,855,537

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

Drexel University and Subsidiaries
Supplemental Consolidating Schedule of Statement of Activities
June 30, 2014

(in thousands)	Drexel University, API, DeL, ANS, 11th Street, and 3509 Spring Garden Entities	PHEC	Elimination Adjustments	Total
Operating revenue				
Tuition and fees	$ 735,577	$ 70,639	$ (3,349)	$ 802,867
Less: Institutional financial aid	(199,821)	(3,460)	-	(203,281)
Net student revenue	535,756	67,179	(3,349)	599,586
Patient care activities	208	109,156	-	109,364
State appropriations	4,705	3,474	-	8,179
Government grants and contracts	76,518	15,486	-	92,004
Private grants and contracts	12,077	5,549	-	17,626
Private gifts	20,745	7,338	-	28,083
Endowment payout under spending formula	20,206	5,857	-	26,063
Investment income	2,626	2,291	-	4,917
Sales and services of auxiliary enterprises	86,134	-	-	86,134
Other sources	27,929	27,752	(41,163)	14,518
Total operating revenue	786,904	244,082	(44,512)	986,474
Operating expense				
College programs	323,465	25,588	-	349,053
Research and public service	80,783	27,362	-	108,145
Academic support	21,823	7,131	-	28,954
Student services	45,210	2,125	(555)	46,780
Institutional support	145,910	27,949	(43,799)	130,060
Scholarships and fellowships	10,357	3,132	-	13,489
Auxiliary enterprises	45,015	-	-	45,015
Total education and general	672,563	93,287	(44,354)	721,496
Patient care activities	-	129,299	-	129,299
Operation and maintenance	39,246	13,694	-	52,940
Interest	17,008	949	-	17,957
Depreciation and amortization	35,691	7,793	(158)	43,326
Total operating expense	764,508	245,022	(44,512)	965,018
Change in net assets from operating activities	22,396	(940)	-	21,456
Nonoperating activity				
Endowment and other gifts	8,025	7,904	-	15,929
Realized/unrealized net loss on investments net of endowment payout	45,657	22,018	-	67,675
Other nonoperating expense	(9,547)	(4,732)	2,743	(11,536)
Change in net assets from nonoperating activities	44,135	25,190	2,743	72,068
Change in net assets	66,531	24,250	2,743	93,524
Net assets at beginning of year	829,063	224,803	-	1,053,866
Net assets at end of year	$ 895,594	$ 249,053	$ 2,743	$ 1,147,390

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

Drexel University and Subsidiaries
Supplemental Consolidating Schedule of Statement of Activities
June 30, 2013

(in thousands)	Drexel University, API, DeL and ANS	PHEC	Elimination Adjustments	Total
Operating revenue				
Tuition and fees	$ 691,498	$ 69,022	$ (2,885)	$ 757,635
Less: Institutional financial aid	(181,572)	(4,984)	-	(186,556)
Net student revenue	509,926	64,038	(2,885)	571,079
Patient care activities	-	101,991	-	101,991
State appropriations	4,752	3,458	-	8,210
Government grants and contracts	77,199	18,284	-	95,483
Private grants and contracts	12,447	3,657	-	16,104
Private gifts	32,835	5,659	-	38,494
Endowment payout under spending formula	20,431	5,906	-	26,337
Investment income	3,238	2,389	-	5,627
Sales and services of auxiliary enterprises	83,237	-	-	83,237
Other sources	29,643	28,333	(39,271)	18,705
Total operating revenue	773,708	233,715	(42,156)	965,267
Operating expense				
College programs	299,744	22,647	-	322,391
Research and public service	77,637	26,109	-	103,746
Academic support	20,406	6,979	-	27,385
Student services	43,713	1,964	(812)	44,865
Institutional support	130,844	26,349	(41,186)	116,007
Scholarships and fellowships	11,917	3,639	-	15,556
Auxiliary enterprises	44,826	-	-	44,826
Total education and general	629,087	87,687	(41,998)	674,776
Patient care activities		116,473	-	116,473
Operation and maintenance	34,655	13,408	-	48,063
Interest	18,257	964	-	19,221
Depreciation and amortization	29,706	8,337	(158)	37,885
Total operating expense	711,705	226,869	(42,156)	896,418
Change in net assets from operating activities	62,003	6,846	-	68,849
Nonoperating activity				
Endowment and other gifts	2,074	7,158	-	9,232
Realized/unrealized net loss on investments net of endowment payout	14,504	10,377	-	24,881
Net assets acquired from the Academy of Natural Sciences				-
Other nonoperating expense	4,577	(6)	-	4,571
Change in net assets from nonoperating activities	21,155	17,529	-	38,684
Change in net assets	83,158	24,375	-	107,533
Net assets at beginning of year	745,905	200,428	-	946,333
Net assets at end of year	$ 829,063	$ 224,803	$ -	$ 1,053,866

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