

**Drexel University and
Subsidiaries**
Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Drexel University and Subsidiaries
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June 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Trustees of 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, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Drexel University and its subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and 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
October 30, 2020

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2020 and 2019 (\$'s in thousands)

	2020	2019
Assets:		
Cash, cash equivalents, and restricted cash		
Operating	\$ 48,527	\$ 45,084
Restricted	38,599	12,668
Accounts receivable	160,841	111,470
Contributions receivable, net	84,531	87,393
Loans receivable	18,473	23,402
Prepaid expenses and other assets	78,025	31,155
Malpractice insurance trust	8,856	13,208
Beneficial interests in trusts	42,339	43,595
Investments	759,488	812,120
Land, buildings and equipment, net	981,859	972,039
Finance lease right-of-use (ROU) asset	12,877	-
Operating lease right-of-use (ROU) asset	91,139	-
Assets held for sale	-	7,710
Total assets	\$ 2,325,554	\$ 2,159,844
Liabilities:		
Accounts payable	\$ 52,251	\$ 64,941
Accrued liabilities	103,304	111,740
Deposits and deferred revenue	183,155	153,891
Finance lease liability	9,472	6,846
Operating lease liability	106,673	-
Government advances for student loans	19,991	29,199
Accrued retirement obligations	44,271	45,948
Bonds and notes payable	534,402	445,527
Liabilities held for sale	8,659	16,660
Total liabilities	1,062,178	874,752
Net Assets:		
Without donor restrictions	558,426	590,213
With donor restrictions	704,950	694,879
Total net assets	1,263,376	1,285,092
Total liabilities and net assets	\$ 2,325,554	\$ 2,159,844

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, 2020 (\$'s in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	\$ 646,463	\$ -	\$ 646,463
Grants and contracts	109,899	28,030	137,929
Physician services	3,938		3,938
Auxiliary enterprises	16,490		16,490
Commonwealth appropriations	8,459		8,459
Contributions	2,897	34,834	37,731
Allocation of endowment spending from financial capital	12,512	24,653	37,165
Investment income, net	3,007	537	3,544
Other income	35,784	204	35,988
Total revenues	839,449	88,258	927,707
Net assets released from restrictions	69,779	(69,779)	-
Total revenues and releases	909,228	18,479	927,707
Expenses:			
Salaries and wages	435,535		435,535
Employee benefits	111,888		111,888
Depreciation and amortization	59,713		59,713
Interest	13,566		13,566
Other operating expenses	267,315		267,315
Total expenses	888,017	-	888,017
Increase in net assets from operating activities	21,211	18,479	39,690
Loss from discontinued operations			
Closure of physician's practice plan	(42,543)		(42,543)
(Decrease) in net assets from discontinued operations	(42,543)	-	(42,543)
Non-operating			
Contributions - Endowment and other gifts	44	8,826	8,870
Realized / unrealized net loss on investments, net of endowment payout and expenses	(6,923)	(17,234)	(24,157)
Change in funding status of post-retirement and defined benefit plans	(3,368)		(3,368)
Other (decreases)	(208)		(208)
(Decrease) in net assets from non-operating activities	(10,455)	(8,408)	(18,863)
Total (decrease) / increase in net assets	(31,787)	10,071	(21,716)
Net assets, beginning of year	590,213	694,879	1,285,092
Net assets, end of year	\$ 558,426	\$ 704,950	\$ 1,263,376

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, 2019 (\$'s in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Tuition and fees, room and board	\$ 665,764	\$ -	\$ 665,764
Grants and contracts	111,794	14,009	125,803
Physician services	3,801		3,801
Auxilliary enterprises	20,792		20,792
Commonwealth appropriations	9,165		9,165
Contributions	4,566	7,072	11,638
Allocation of endowment spending from financial capital	9,893	19,676	29,569
Investment income, net	2,594	414	3,008
Other income	28,019	393	28,412
Total revenues	856,388	41,564	897,952
Net assets released from restrictions	52,734	(52,734)	-
Total revenues and releases	909,122	(11,170)	897,952
Expenses:			
Salaries and wages	432,870		432,870
Employee benefits	113,165		113,165
Depreciation and amortization	50,396		50,396
Interest	15,402		15,402
Other operating expenses	325,968		325,968
Total expenses	937,801	-	937,801
(Decrease) in net assets from operating activities	(28,679)	(11,170)	(39,849)
Loss from discontinued operations			
Closure of physician's practice plan	(41,651)		(41,651)
(Decrease) in net assets from discontinued operations	(41,651)	-	(41,651)
Non-operating			
Contributions - Endowment and other gifts	1,362	14,922	16,284
Realized / unrealized net gain on investments, net of endowment payout and expenses	3,819	9,031	12,850
Change in funding status of post-retirement and defined benefit plans	(1,697)		(1,697)
Other increases	1,066		1,066
Increase in net assets from non-operating activities	4,550	23,953	28,503
Total (decrease) / increase in net assets	(65,780)	12,783	(52,997)
Net assets, beginning of year	655,993	682,096	1,338,089
Net assets, end of year	\$ 590,213	\$ 694,879	\$ 1,285,092

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, 2020 and 2019 (\$'s in thousands)

	2020	2019
Operating activities:		
(Decrease) in net assets	\$ (21,716)	\$ (52,997)
Adjustments to reconcile change in net assets to net cash (used in) / provided by operating activities:		
Depreciation and amortization	56,824	48,469
Loss on disposal of equipment	425	1,904
Change in market value in beneficial interests in trusts	1,256	1,878
Contributions restricted for long-term investment	(11,251)	(15,793)
Non-cash contributions received	(2,645)	(1,076)
Proceeds from the sale of donated securities	2,351	906
Actuarial change on annuity liabilities	1,719	(543)
Realized/unrealized (gain) on investments	(21,624)	(50,229)
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	(49,371)	41,404
Contributions receivable	1,649	10,913
Other assets	(46,870)	2,374
Accounts payable and accrued liabilities	(22,096)	15,539
Accrued retirement obligations	(1,677)	(2,620)
Deposits and deferred revenue	29,264	(17,067)
Other, net	(291)	8,950
Net cash (used in) operating activities	(84,053)	(7,988)
Investing activities:		
Purchase of investments	(86,864)	(69,090)
Proceeds from sales and maturities of investments	161,150	106,202
Change in malpractice insurance trust	4,352	(4,236)
Student loans repaid	4,942	5,608
Student loans issued	(13)	(296)
Purchases of land, buildings and equipment	(61,948)	(70,953)
Net cash (used in) / provided by investment activities	21,619	(32,765)
Financing activities:		
Proceeds from restricted contributions	11,251	15,793
Proceeds from sale of contributed securities restricted for endowment	924	2,266
Payments on annuity obligations	(439)	(619)
Proceeds/(repayment) of federal student loan funds	(9,208)	103
Proceeds from short-term debt	70,000	30,000
Payments on finance lease liability	(1,274)	-
Proceeds from long-term notes payable	28,150	-
Repayments of long-term debt	(7,596)	(7,315)
Net cash provided by financing activities	91,808	40,228
Net (decrease) in cash and cash equivalents, and restricted cash	29,374	(525)
Cash and cash equivalents, and restricted cash, beginning of year	57,752	58,277
Cash and cash equivalents, and restricted cash, end of year	\$ 87,126	\$ 57,752
Supplemental information		
Gifts-in-kind	\$ 277	\$ 81
Cash paid for interest	15,047	16,600
Amounts accrued for purchase of land, buildings and equipment	12,130	11,820
Donated securities	3,305	3,261

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, nursing and health professions, and public health.

Academy of Natural Sciences of Philadelphia

Pursuant to an affiliation agreement dated September 30, 2011, the University owns 100% of the Academy of Natural Sciences of Philadelphia, doing business as the Academy of Natural Sciences of Drexel University (“ANS”). ANS, founded in 1812, is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. ANS is dedicated to encouraging and cultivating the sciences and advancing learning. ANS operates a public museum in Philadelphia and conducts systematic research and research in aquatic ecosystems, including integrating such research with education regarding biodiversity and environmental science in collaboration with the University and its students.

Academic Properties, Inc.

The University owns 100% of Academic Assets, Inc. which owns 100% of Academic Properties, Inc. (“API”), 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.

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 support for grants. DUO was created on July 1, 2015 as the successor entity to the former for-profit operations of Drexel eLearning, Inc., which was merged with and into DUO on that date.

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 University and Subsidiaries

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Drexel Global Initiatives, LLC

Drexel Global Initiatives, LLC (“Drexel Global”) is a Pennsylvania, single member limited liability company established 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.

DUC, LLC

DUC, LLC is a Pennsylvania limited liability company established on December 13, 2013, of which the University has the 95% ownership. 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”) shall construct and develop an approximately 90,000 square foot building at this land to house the K-9 school campus for the Powel-Science Leadership Academy Middle School. The business and affairs of DUO, LLC are managed by the University.

11th Street Family Health Services, Inc.

11th Street Family Health Services, Inc. (“11th Street”), a Pennsylvania non-profit corporation, was formed on December 12, 2013. 11th Street is a non-profit real estate holding company, wholly owned by the University, organized to operate in furtherance of the activities of the University and to facilitate the use of new market tax credits in rehabilitating and expanding the structures located at 850 North 11th Street, Philadelphia (the “Property”) which was donated from the University on December 23, 2013. The Property is in a qualified census tract that meets certain income, unemployment and poverty level requirements 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.

1200 Chestnut Street General Partner, Inc.

1200 Chestnut Street General Partner, Inc. (“1200 Chestnut GP”), Pennsylvania corporation, is the sole general partner in 1200 Chestnut Street I, Limited Partnership (“1200 Chestnut LP”). 1200 Chestnut GP is a wholly owned subsidiary of the University. The officers of 1200 Chestnut GP are also the officers and senior leadership of the University. As part of the historic tax credit transactions, a separate, for-profit, single purpose entity was established to own the 1200-1202 Chestnut Street property with 1200 Chestnut GP holding a 1% interest. 1200 Chestnut GP follows a calendar based fiscal year.

Drexel University and Subsidiaries

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1200 Chestnut Street I, Limited Partnership

1200 Chestnut LP, a Pennsylvania limited partnership, was formed on November 28, 2016 to acquire, own, rehabilitate and lease, manage and operate Partnership property 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. 1200 Chestnut LP property is comprised of the land and historic building located at 1200-1202 Chestnut Street, Philadelphia, Pennsylvania 19107. The general partner is 1200 Chestnut Street GP, which holds a 1% interest in 1200 Chestnut LP. The University meets the requirements for consolidation of 1200 Chestnut LP through its ownership of 1200 Chestnut GP and control of 1200 Chestnut LP. 1200 Chestnut LP follows a calendar based fiscal year.

3509 Spring Garden, General Partner, Inc.

3509 Spring Garden, General Partner, Inc., (“3509 GP”) a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, Limited Partnership (“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 own the property and to own the 3509 Spring Garden, Limited Partnership 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. 3509 GP follows a calendar based fiscal year.

3509 Spring Garden, Limited Partnership

3509 LP, a Pennsylvania limited partnership, was formed on February 25, 2013 to acquire, own, rehabilitate, 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 QALICB. Through its ownership of 3509 GP, Drexel University holds a 90% interest in 3509 LP. 3509 LP follows a calendar based fiscal year.

3509 Spring Garden, Master Tenant Manager, Inc.

3509 Spring Garden, Master Tenant Manager, Inc., (“3509 MTM”) a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, Master Tenant, Limited Partnership (“3509 MTLP”). 3509 MTM is a wholly owned subsidiary of the University. The officers of 3509 MTM are also the officers and senior leadership of the 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 Dornsife Center to meet the QALICB requirements. 3509 MTM is the non-member manager of the property and the general partner, holding a 0.01% interest in 3509 MTLP. 3509 MTM follows a calendar based fiscal year.

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3509 Spring Garden, Master Tenant, Limited Partnership

3509 MTLP, a Pennsylvania limited partnership, was formed on August 21, 2013 to lease, manage and operate property owned by 3509 LP. 3509 MTLP has made an equity investment in 3509 LP and is also a partner with a 10% interest. 3509 MTLP consists of a general partner with 0.01% interest and a limited partner with a 99.99% interest. 3509 MTLP and 3509 LP have executed a historic tax credit pass-through agreement pursuant to which 3509 LP will elect under Section 50 of the Internal Revenue Code to pass through to the Partnership the federal tax credits to which it is entitled because of the historic building's rehabilitation project. The University meets the requirements for consolidation of the 3509 MTLP through its ownership of the general partner (3509 MTM) and control of 3509 MTLP. 3509 MTLP follows a calendar based fiscal year.

2. Summary of Significant Accounting Policies

General

The University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The consolidated financial statements include the University, the Academy of Natural Sciences of Philadelphia, Drexel University Online, LLC, Academic Properties, Inc., and the University's other subsidiaries which are described in detail in these notes. All University subsidiaries have a fiscal year ending June 30, unless otherwise indicated in Note 1. All subsidiary financial information included within the financial statements has been consolidated utilizing the University's fiscal year.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and with the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, which requires the university to classify its net assets into two categories according to donor-imposed restrictions; net assets without donor imposed restrictions and net assets with donor imposed restrictions. All material transactions between the University and its subsidiaries have been eliminated.

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

Net Assets with Donor Restrictions - Net assets which are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, net assets from endowments not yet appropriated for spending by the University and student loan funds. In some cases, donor restrictions can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time. In other cases, some restrictions, such as endowed funds, are permanent, and typically, the donors of these assets permit the University to use all or part of the income earned on these assets for operations. Restrictions include support of specific schools, colleges and

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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, 2020 and 2019 are as follows:

<i>(in thousands)</i>	2020	2019
Total assets at year-end	\$ 2,325,554	\$ 2,159,844
Less: non-financial and financial assets not available within one year		
Restricted cash	(38,599)	(12,668)
Tuition receivable due in more than one year	(6,532)	(7,776)
Contributions receivable with donor restrictions	(84,531)	(87,393)
Loans receivable due in more than one year	(13,415)	(21,241)
Prepaid expenses and other assets	(78,025)	(31,155)
Malpractice insurance trust	(8,856)	(13,208)
Beneficial Interests in trusts	(42,339)	(43,595)
Investments	(759,488)	(812,120)
Land, buildings and equipment, net	(981,859)	(972,039)
Finance lease right-of-use (ROU) asset	(12,877)	-
Operating lease right-of-use (ROU) asset	(91,139)	-
Assets held for sale	-	(7,710)
Financial assets available at year-end for current use	\$ 207,894	\$ 150,939

As of June 30, 2020, the University has \$207,894,000 of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure. In addition to these available financial assets, a significant portion of the University's annual expenditures will be funded by current year operating revenues including tuition and fees, room and board, grant and contract income and auxiliary enterprise income. The University structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, for fiscal year 2020 and 2019 the Board of Trustees approved a current distribution to 6.00% and 4.75% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS in which the Board of Trustees approved a distribution to 6.00% and 5.50% of the fair market value of the pooled endowment assets for the prior

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seven years. Under the approved spending rules, the University received an allocation of \$37,165,000 and \$29,569,000 in fiscal years 2020 and 2019, 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 \$100 million, which it could draw upon. Additionally, the University has a board-designated endowment of \$270,457,000 as of June 30, 2020. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, the board-designated endowment funds contain investments with lock-up provisions that reduce the total investments that could be made available.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. At June 30, 2020 and 2019, 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.

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Fair Value of Financial Instruments

The University applies fair value measurements in the year of receipt to contributions receivable, beneficial interests in trusts, investments, self-insurance escrow funds, internally held real estate of the endowment, funds held by trustees, interest rate swaps, and annuities on an annual basis. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans cannot be made because the loans cannot be sold and can only be assigned to the U.S. Government or its designees. These loans are recorded at cost, less an allowance for doubtful accounts and the carrying value of the loan receivable from students under Drexel's loan programs approximate fair value. (Notes 5, 6, 7, and 10 for additional fair value disclosures).

Physician Services

Faculty physicians participate in several physician practice plans that are managed by the University. Revenue and expenses related to these practice plans are recorded by the University as physician services. Physician services include patient service revenue and other physician service activities.

Patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered. The University provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide payment for covered services at agreed-upon rates under certain fee schedules and various discounts. Price concessions to estimate the difference between gross rates and contracted rates with payers have been included in the determination of net revenue.

Contributions

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

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded as without restrictions.

Non-operating Activities

Non-operating activities include contributions to the University's endowment, investment returns, gains and losses on investments, and other activities related to endowment, post-retirement benefit plan and defined benefit pension plan adjustments, restructuring costs, and losses on extinguishment of debt.

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Use of Estimates

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

Income Taxes

The University has been granted tax-exempt status as a non-profit organization under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (*Return of Organization Exempt from Income Tax*), annually. The University files U.S. federal, state and local informational returns. The statute of limitations on the University's U.S. federal information returns remains open for three years following the year they are filed.

The University and its affiliates engage in activities that are subject to unrelated business income taxes for which appropriate income tax returns are filed (Note 17).

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

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 changes in fair value of the agreement resulted in a loss of \$1,001,000 and \$807,000 in 2020 and 2019, respectively. The fair value of the interest rate swap agreement was a liability of \$4,424,000 and \$3,423,000, respectively, at June 30, 2020 and 2019.

The swap agreement is used by the University to reduce exposure to the volatility in variable interest rates on long-term debt (Note 12). There were no other swap agreements in effect as of June 30, 2020 or 2019. The fair value of the swap agreements is reported within 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.

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Recently Adopted Accounting Pronouncements

Beginning in May 2014, the FASB issued several Accounting Standard Updates which established a new framework for *Revenue from Contracts with Customers (Topic 606)*. The core principle is that revenue is recognized in manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be compensated in exchange for those goods or services. The guidance is effective for annual fiscal periods beginning after December 15, 2017. The University has adopted the standard by applying the retrospective transition method, and the impact is reflected in the Consolidated Statements of Activities and Note 14 for both periods presented.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is meant to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual fiscal periods beginning after December 15, 2018. In July 2018, FASB issued ASU No. 2018-11 which amends the transition methods contained in ASU No. 2016-02. The University has early adopted the standard on a modified retrospective basis effective July 1, 2019. As a result, the University has recorded the finance and operating lease right-of-use (ROU) assets and liabilities related to real estate and equipment leases. The impact is reflected in the Consolidated Statements of Financial Position and Note 9 for the period ending June 30, 2020. There was no change to the beginning net assets for the period ending June 30, 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU No. 2016-14 is meant to reduce the complexity of and add clarity to net asset reporting, add additional disclosure regarding nature of self-imposed limits on net assets without donor restrictions and net assets with donor restrictions, and add reporting requirements related to nature of expenses. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. The University has adopted this new guidance retrospectively, and grouped the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the University has included expanded disclosures relating to: (1) the liquidity of financial assets, (2) expenses by both their natural and functional classification in the financial statements, and (3) disclosing a single net measure of investment return. As a result of adopting this standard, the underwater endowment deficiencies of \$2,355,000 were adjusted in the beginning net asset fund balances for the period ending June 30, 2018. Also, certain prior year amounts were reclassified to conform to the presentation requirements (Notes 2, 7, 13 and 15).

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In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 aims to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if the retrospective application would be impracticable. The University has adopted ASU No. 2016-15 by applying the retrospective transition method which is reflected in the Consolidated Statements of Cash Flow for both periods presented. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)*: ASU No. 2017-07 requires the service cost component of net periodic pension cost and net periodic postretirement benefit cost to be presented as part of fringe benefit expense in the Consolidated Statements of Activities. The other components of net periodic benefit cost will be reported as non-operating activity in the Consolidated Statements of Activities. ASU No. 2017-07 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented. The University has adopted ASU No. 2017-07 and the impacts of these changes are reflected in the Consolidated Statements of Activities for both periods presented.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is meant to provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. ASU No. 2018-08 is effective for annual periods beginning after June 15, 2018, with early adoption permitted. Entities can apply the guidance on a modified prospective basis or retrospective basis. The University has adopted ASU No. 2018-08 by applying the modified prospective transition method in its consolidated financial statements and the relevant footnotes (Note 14). The adoption did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This ASU represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management’s estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

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In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which aims to improve the usefulness of the disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-013 is effective for annual periods beginning after December 15, 2019, with early adoption permitted. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively to all periods presented. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to Disclosure Requirements for Defined Benefit Plans* which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-014 is effective for public business entities for annual periods beginning after December 15, 2021, with early adoption permitted on a retrospective basis to all periods presented. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The ASU aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. ASU No. 2018-15 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. Entities can apply the guidance prospectively or retrospectively. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808) – Clarifying the Interaction between Topic 808 and Topic 606*, which seeks to clarify that certain transaction between collaborative arrangement participants should be accounted for as revenue and apply all relevant guidance under Topic 606 to these revenues. In addition this ASU provides more comparability in the presentation of revenue for certain transaction between collaborative arrangement participants. ASU No. 2018-18 is effective for annual periods beginning after December 15, 2020 The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

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In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which seeks to align the definition of collections as defined in the American Alliance of Museums' (AAM) Code of Ethics for Museums with its definition of collections in the Master Glossary. The FASB is also making a technical correction in *Topic 360 – Property, Plant and Equipment*, to clarify the accounting and disclosure guidance for collections in *Subtopic 958-360, Not-for Profit Entities – Property, Plant and Equipment*. ASU No. 2019-03 is effective for fiscal years beginning after December 15, 2019. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

3. Accounts Receivable

Accounts receivable are reported less estimates for uncollectable amounts and contractually based discounts. American Academic Health Systems' receivables have been fully reserved due to their filing for bankruptcy on June 30, 2019.

Accounts receivable as of June 30, 2020 and 2019 were as follows:

<i>(in thousands)</i>	2020	2019
Tuition	\$ 92,488	\$ 56,329
Grants, contracts, and other	79,002	65,535
Patient, net of contractual allowance	2,071	3,882
American Academic Health Systems	-	10,174
Accounts receivable, gross	173,561	135,920
Allowance for doubtful accounts:		
Tuition	(6,933)	(6,662)
Grants, contracts, and other	(5,288)	(4,919)
Patient	(499)	(2,695)
American Academic Health Systems	-	(10,174)
Accounts receivable	\$ 160,841	\$ 111,470

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 \$19,991,000 and \$29,199,000 at June 30, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities in the Statements of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability

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to the government. As of October 1, 2017, the Federal Perkins Loan Program expired, and new loans are no longer awarded and disbursed.

At June 30, 2020 and 2019, student loans consisted of the following:

<i>(in thousands)</i>	2020	2019
Federal government loan programs		
Perkins loan program	\$ 14,289	\$ 17,458
Health professions student loans and loans for disadvantaged students	1,760	2,058
Nursing student loans	-	-
Federal government loan programs	16,049	19,516
Institutional loan programs	6,123	7,206
Student loans receivable, gross	22,172	26,722
Less: Allowance for doubtful accounts	(3,699)	(3,320)
Student loans receivable	\$ 18,473	\$ 23,402

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, 2020 and June 30, 2019 that range between 0.16% to 0.66% and 1.75% to 2.00%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC No. 820-10 (Note 6).

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Net contributions receivable at June 30 were as follows:

<i>(in thousands)</i>	2020	2019
Amounts due in		
Less than one year	\$ 23,838	\$ 22,571
One to five years	24,728	29,918
Greater than five years	47,863	51,235
Contributions receivable, gross	96,429	103,724
Less:		
Allowance for uncollectibles	(691)	(506)
Discounts to present value	(11,207)	(15,825)
Contributions receivable, net	\$ 84,531	\$ 87,393

As of June 30, 2020, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of \$106,270,000. 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.

As of June 30, 2020, the University, acting as an agent for U.S. Squash Racquets Association, has outstanding conditional pass-through pledges of \$7,000,000. As of June 30, 2020, the University has accrued a liability of \$0 payable to U.S. Squash Racquets Association.

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5. Investments and Investment Return

At June 30, 2020 and 2019, the fair value of the malpractice insurance trust and investments included the following:

<i>(in thousands)</i>	Fair value	
	2020	2019
Money market funds	\$ 39,668	\$ 25,973
U.S. equity	154,610	167,506
Global equity	118,393	131,027
Fixed income securities and bond funds	62,122	112,632
Real estate and real assets funds	62,877	98,258
Hedge funds	28,633	27,421
Private equity	118,347	104,907
Directly-held real estate	107,460	99,469
Total endowment investments	692,110	767,193
Self-insurance escrow funds	33,207	44,204
Interest in a partnership	33,440	-
Other investments	731	723
Total investments	759,488	812,120
Malpractice insurance trust	8,856	13,208
Total investments and malpractice insurance trust	\$ 768,344	\$ 825,328

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

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The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2020 and 2019:

<i>(in thousands)</i>	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, net of expenses	\$ 3,205	\$ 8,231	\$ 11,436
Realized/unrealized gains	2,384	(812)	1,572
Endowment payout under spending formula	(12,512)	(24,653)	(37,165)
Realized/unrealized loss on investments, net of endowment payout and expenses	(6,923)	(17,234)	(24,157)
Operating investment income, net	3,007	537	3,544
Total return on investments	\$ (3,916)	\$ (16,697)	\$ (20,613)

<i>(in thousands)</i>	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, net of expenses	\$ 2,907	\$ 6,784	\$ 9,691
Realized/unrealized gains	10,805	21,923	32,728
Endowment payout under spending formula	(9,893)	(19,676)	(29,569)
Realized/unrealized gain on investments, net of endowment payout and expenses	3,819	9,031	12,850
Operating investment income, net	2,594	414	3,008
Total return on investments	\$ 6,413	\$ 9,445	\$ 15,858

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.

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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 and interest rate swaps.
- Level 3 Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of trusts and annuities, directly held real estate, and interest in real estate.

As a practical expedient, the University estimates the fair value of an investment in an investment company fund at the measurement date using the reported net asset value (NAV). The fair values of alternative investments represent the University's ownership interest in the net asset value (NAV) of the respective fund. Investments held by the funds consist of marketable securities, as well as, securities that do not have readily determinable fair values. The fair values of the securities held by these funds that do not have readily determinable fair values are based on 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.

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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 or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement, respectively.

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As of June 30, 2020, and 2019, assets and liabilities at fair value were as follows:

<i>(in thousands)</i>	2020				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	\$ -	\$ -	\$ 42,339	\$ -	\$ 42,339
Malpractice insurance trust	8,856	-	-	-	8,856
Investments					
Money market funds	39,668	-	-	-	39,668
U.S. Equity	141,814	-	-	12,796	154,610
Global Equity	82,350	-	-	36,043	118,393
Fixed Income securities and bond funds	56,909	2,501	-	2,712	62,122
Real estate and real assets funds	-	-	5,050	57,827	62,877
Hedge funds	-	-	-	28,633	28,633
Private Equity	-	-	-	118,347	118,347
Directly-held real estate	-	-	107,460	-	107,460
Investments held in endowment	320,741	2,501	112,510	256,358	692,110
Self-insurance escrow funds	33,207	-	-	-	33,207
Other investments	444	-	-	287	731
Total investments	354,392	2,501	112,510	256,645	726,048
Total assets measured at fair value	\$ 363,248	\$ 2,501	\$ 154,849	\$ 256,645	\$ 777,243
Liabilities					
Interest rate swaps (Note 1)	\$ -	\$ 4,424	\$ -	\$ -	\$ 4,424
Split-interest agreements	-	-	1,250	-	1,250
Annuities	-	-	7,521	-	7,521
Total liabilities measured at fair value	\$ -	\$ 4,424	\$ 8,771	\$ -	\$ 13,195

<i>(in thousands)</i>	2019				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	\$ -	\$ -	\$ 43,595	\$ -	\$ 43,595
Malpractice insurance trust	13,208	-	-	-	13,208
Investments					
Money market funds	25,973	-	-	-	25,973
U.S. Equity	155,617	-	-	11,889	167,506
Global Equity	92,196	-	-	38,831	131,027
Fixed Income securities and bond funds	76,828	1,242	-	34,562	112,632
Real estate and real assets funds	-	-	4,790	93,468	98,258
Hedge funds	-	-	-	27,421	27,421
Private Equity	-	-	-	104,907	104,907
Directly-held real estate	-	-	99,469	-	99,469
Investments held in endowment	350,614	1,242	104,259	311,078	767,193
Self-insurance escrow funds	44,204	-	-	-	44,204
Other investments	521	-	-	202	723
Total investments	395,339	1,242	104,259	311,280	812,120
Total assets measured at fair value	\$ 408,547	\$ 1,242	\$ 147,854	\$ 311,280	\$ 868,923
Liabilities					
Interest rate swaps (Note 1)	\$ -	\$ 3,423	\$ -	\$ -	\$ 3,423
Split-interest agreements	-	-	1,647	-	1,647
Annuities	-	-	5,404	-	5,404
Total liabilities measured at fair value	\$ -	\$ 3,423	\$ 7,051	\$ -	\$ 10,474

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

<i>(in thousands)</i>	Fair Value	Unfunded Commitments	2020	
			Redemption Terms (If Currently Eligible)	Redemption Notice Period (If Applicable)
Hedge funds:				
Multi-Strategy Hedge Funds (a)	\$ 105	\$ -		
Distressed Debt Hedge Funds (b)	1,521	-		
Fixed Income and Related Hedge Funds (c)	19,679	-	Quarterly	45 days
Real Estate Hedge Funds (d)	7,328	-	Quarterly	60 days
Subtotal Hedge funds	28,633	-		
Private Equity:				
Private Capital Funds-Secondaries (e)	6,254	2,889		
Private Capital Funds-Venture Capital (f)	1,093	198		
Private Capital Funds-Buy-out (g)	59,498	35,619		
Private Capital Funds-Debt (h)	8,307	4,146		
Private Capital Funds-Real Asset Funds (i)	27,737	35,502		
Private Capital Funds-Real Estate Funds (j)	13,538	13,232		
Private Capital Funds-Hedge Fund Seeder (k)	1,920	222		
Subtotal Private Equity	118,347	91,808	Close-ended funds not available for redemption	
US Equity (l)	12,796	-		
Global Equity (l)	36,043	-		
Fixed Income Securities and Bond Funds (l)	2,712	-		
Real Estate and Real Assets Funds (l)	57,827	-		
Other investments (l)	287	-		
	\$ 256,645	\$ 91,808		

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2020, the composite portfolio includes 100% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 4 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

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- b. This category includes investments in hedge funds that invest in debt of companies in or facing bankruptcy. As of June 30, 2020, the composite portfolio includes 100% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 4 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- c. This category includes investment in hedge funds that invest in 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 investment in hedge funds that invest in diversified U.S. real estate properties. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- e. 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, 2020, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 100% in 1 to 4 years. At June 30, 2019, 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 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, 2020, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 100% in 1 to 4 years. At June 30, 2019, 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.
- 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 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, 2020, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 9% over 1 to 4 years; 79% in 5 to 7 years; and 12% over 8 to 10 years. At June 30, 2019, the liquidation periods were expected to be: 0% in 1 to 4 years; 65% in 5 to 7 years; and 35% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

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- h. 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. At June 30, 2020, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 42% in 1 to 4 years; 52% in 5 to 7 years; and 6% in 8 to 10 years. At June 30, 2019, the liquidation periods were expected to be: 60% in 1 to 4 years; and 40% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- i. 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. As of June 30, 2020, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 49% in 1 to 4 years; 21% in 5 to 7 years; and 30% in 8 to 10 years. At June 30, 2019, the liquidation periods were expected to be: 46% in 1 to 4 years; and 21% in 5 to 7 years; and 34% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real asset fund.
- j. 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, 2020, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 33% in 1 to 4 years; 62% in 5 to 7 years; and 5% in 8 to 10 years. At June 30, 2019, the liquidation periods were expected to be: 21% in 1 to 4 years; 47% in 5 to 7 years; and 32% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate 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, 2020, and 2019, respectively, the fund's underlying investments were: 14% and 37% global equity; and 86% and 63% in diversified credit. 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 1 to 4 years at June 30, 2020. 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 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. Majority of these investments are commingled funds.

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The University owns partnership interests in a real estate portfolio classified real estate and real estate funds as a Level 3 asset. The interests have a fair market value of \$5,050,000 net of \$2,200,000 in outstanding debt. The valuation of these investment properties is prepared annually by an independent appraiser.

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

<i>(in thousands)</i>	2020	2019
Assets, at beginning of year	\$ 147,854	\$ 138,749
Net realized/unrealized gain	8,929	13,671
Sales and distributions of investments	(1,934)	(4,566)
Assets, at end of year	\$ 154,849	\$ 147,854

<i>(in thousands)</i>	2020	2019
Liabilities, at beginning of year	\$ 7,051	\$ 7,595
Changes in annuities and split-interest agreements	1,720	(544)
Liabilities, at end of year	\$ 8,771	\$ 7,051

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, 2020 and 2019, the University had an endowment spending rule that limited the spending of endowment resources to a range of 4.75% to 6.00% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS. The actual endowment spend rate for the University was 6.00% for the fiscal year ended June 30, 2020 and 4.75% for the fiscal year ending June 30, 2019. For the fiscal year ended June 30, 2020, ANS had an endowment spending rule that limited the spending of endowment resources to 6.00% of the fair market value of the pooled endowment assets for the prior seven years. For the fiscal year ended June 30, 2019, ANS had an endowment spending rule that limited the spending of endowment resources to 5.50% 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 5.0%).

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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. The University's policy is to not allocate spend from underwater endowment funds.

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 \$4,819,000 and \$2,245,000 as of June 30, 2020 and 2019, respectively. The original gift amount and the fair value of underwater endowment funds in the aggregate were \$86,486,000 and \$81,667,000 as of June 30, 2020 and \$30,793,000 and \$28,549,000 as of June 30, 2019, respectively.

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The net asset balances for the endowment composition by fund as of June 30, 2020 and 2019 were as follows:

<i>(in thousands)</i>	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 531,197	\$ 531,197
Board-designated endowment funds	270,457	-	270,457
Total assets	\$ 270,457	\$ 531,197	\$ 801,654

<i>(in thousands)</i>	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 537,242	\$ 537,242
Board-designated endowment funds	277,042	-	277,042
Total assets	\$ 277,042	\$ 537,242	\$ 814,284

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Changes in the University's endowment assets (excluding annuities and trusts) and for the years ended June 30, 2020 and 2019 were as follows:

<i>(in thousands)</i>	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, at beginning of year	\$ 277,042	\$ 537,242	\$ 814,284
Endowment return:			
Investment income, net of fees	3,205	8,231	11,436
Net realized/unrealized gain	1,047	2,311	3,358
Total endowment return	4,252	10,542	14,794
Contributions	56	8,834	8,890
Use of endowment assets:			
Endowment payout used in operations	(10,893)	(26,272)	(37,165)
Other	-	851	851
Total uses of endowment assets	(10,893)	(25,421)	(36,314)
Endowment, at end of year	\$ 270,457	\$ 531,197	\$ 801,654

<i>(in thousands)</i>	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, at beginning of year	\$ 270,713	\$ 509,481	\$ 780,194
Endowment return:			
Investment income, net of fees	2,907	6,784	9,691
Net realized/unrealized gain	10,614	24,180	34,794
Total endowment return	13,521	30,964	44,485
Contributions	1,363	15,246	16,609
Use of endowment assets:			
Endowment payout used in operations	(8,525)	(21,044)	(29,569)
Other	(30)	2,595	2,565
Total uses of endowment assets	(8,555)	(18,449)	(27,004)
Endowment, at end of year	\$ 277,042	\$ 537,242	\$ 814,284

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Endowment Loan

On December 5, 2018, the University's Board of Trustee's authorized management to fund the capital expenditures associated with the renovation and expansion of Bentley Hall (formerly Calhoun Hall) with a loan investment from the University's endowment portfolio, not to exceed \$35,000,000 million. On February 19, 2019, the University received a \$5,000,000 gift from Greg S. and Caroline Bentley for which the dormitory has been renamed. The dormitory will house a living/learning community for the Pennoni Honors College students and include a new, two-story glass stone addition of 10,800 square feet that will house the Pennoni Honors College offices and seminar rooms. The loan investment (Note 5) is consistent with the asset allocation provisions of the University's endowment Investment Policy Statement. Furthermore, the interest rate associated with this loan investment is comparable to investments of similar risk that are available to the endowment for investment.

The loan investment is interest-only over the five-year term, with a balloon payment of principal due no later the last day of the 60th month following the initial/first Anniversary Date. The interest rate is fixed for the first four years at 5% per annum ("Base Rate"). Effective as of the fifth anniversary date, the Base Rate will increase to the greater of (a) 5% plus 100 basis points (bps) or (b) the 10-year U.S. Treasury note plus 200 bps, not to exceed a rate of 8%. While the loan investment is outstanding, any donor funds received in support of this project, in supporting or naming the building, or associated activities concerning the property, will be directly applied to the outstanding principal balance of the loan investment. The University will incur zero fees, and the entire loan investment can be prepaid, at any time, without penalty at the discretion of the University.

In accordance with Treasury Regulation § 1.150-2, the University may temporarily finance from its own funds, all or a portion of the costs of the renovation and expansion of Bentley Hall up to an amount equal to the total costs of the renovation and expansion of Bentley Hall, which shall not exceed \$35,000,000, and may then use all or a portion of the proceeds of tax-exempt obligations to reimburse itself for expenditures originally paid prior to the date of issuance of the tax-exempt obligations, and all original expenditures which may be reimbursed will be capital expenditures (as defined in Treasury Regulation § 1.150-1(b)) and other permissible amounts under Treasury Regulation § 1.150-2(d)(3).

On December 4, 2019, the University's Board of Trustee's authorized management to fund a portion of its share of the St. Christopher's Hospital for Children acquisition costs with a loan investment from the University's endowment portfolio, up to \$13 million.

The loan investment (Note 5) 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 terms of this investment loan mirror the terms of the Bentley Hall endowment loan defined above.

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On December 4, 2019, the University's Board of Trustee's authorized management to establish a \$40 million short term line of credit to support additional start-up needs for St. Christopher's Hospital for Children and costs associated with the dissolution of the Drexel Physician Practice Plan resulting from the bankruptcy of the American Academic Health System and the abrupt closure of Hahnemann University Hospital. The line of credit was funded by an investment loan from the University's endowment portfolio.

The loan investment (Note 5) 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 annual interest rate on the investment loan is 6.5% The interest rate is based on the expected return of the overall portfolio.

8. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if acquired by gift, at the appraised value on the date of acquisition. Amortization and depreciation are computed on a straight-line basis over the lesser of the estimated useful lives of the assets ranging from 3 to 30 years for equipment, 3 to 5 years for software, and 5 to 60 years for buildings and improvements or the shorter of the term of the lease.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was \$1,275,000 and \$3,693,000 at June 30, 2020 and \$1,278,000 and \$3,628,000 at June 30, 2019, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the Consolidated Statements of Financial Position. The demolition of the University City High School and removal of its hazardous substances significantly reduced the University's asset retirement obligation resulting in a significant credit to the depreciation expenses to recognize the elimination of this obligation.

The University maintains ownership of a parcel of property located at 1200 Chestnut Street, Philadelphia, PA. The use of the building is restricted for use by the Thomas R. Kline School of Law's Trial Advocacy Program.

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

<i>(in thousands)</i>	2020	2019
Works of art	\$ 10,860	\$ 10,583
Land and improvements	152,025	148,234
Buildings and improvements	1,193,340	1,118,603
Equipment, software and library books	225,951	226,104
Construction in progress	36,495	61,698
Land, buildings, and equipment, gross	1,618,671	1,565,222
Less: Accumulated depreciation	(636,812)	(593,183)
Land, buildings and equipment, net	\$ 981,859	\$ 972,039

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9. Leases

In February 2016, the FASB issued ASU 2016-02 (Topic 842) "Leases." Topic 842 supersedes the lease requirements in Accounting Standards Codification Topic 840, "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 has adopted and applied Topic 842 to all leases effective July 1, 2019 with comparative periods continuing to be reported under Topic 840. The University has elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Also, the University has also elected the policy exemption that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The University determines if an arrangement is or contains a lease at inception of the contract. The right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The University uses the implicit rate noted within the contract. If not readily available, the University uses the estimated incremental borrowing rate, which is derived using a collateralized borrowing rate and term as the associated lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less and a lease expense is recognized for these leases on a straight-line basis over the lease term within lease and rental expense.

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The components of lease expense for the fiscal year ended June 30, 2020 are as follows:

	Fiscal Year Ending 06/30/2020
Lease Expense:	
Finance lease expense	
Amortization of ROU assets	911,586
Interest on lease liabilities	115,324
Operating lease expense	24,724,023
Short-term lease expense	194,028
Variable lease expense	8,248,807
Total	34,193,768

Other Information:

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

Finance - Financing cash flows	1,158,968
Finance - Operating cash flows	115,324
Operating - Operating cash flows	26,167,220

ROU assets obtained in the exchange for lease liabilities

Finance leases	995,100
Operating leases	8,298,858

Weighted-average remaining lease terms (in years)

Finance leases	39.95
Operating leases	11.26

Weighted-average discount rate

Finance leases	1.18%
Operating leases	2.19%

Maturities of lease liabilities were as follows:

	Finance	Operating
07/01/2020 - 06/30/2021	810,981	22,192,211
07/01/2021 - 06/30/2022	809,060	21,120,461
07/01/2022 - 06/30/2023	805,843	10,566,619
07/01/2023 - 06/30/2024	768,222	5,778,890
07/01/2024 - 06/30/2025	406,940	5,565,894
Thereafter	6,105,471	58,824,500
Total	9,706,517	124,048,575
Less: Present value discount	(234,552)	(17,375,171)
Lease liability	9,471,965	106,673,404

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As of June 30, 2019, prior to the adoption of ASC 842, the annual and total future minimum lease payments under noncancelable operating leases were as follows:

(in thousands)

June 30,		
2020	\$	25,077
2021		23,148
2022		21,599
2023		10,969
2024		4,659
Thereafter		50,170
Total minimum lease payments	\$	135,622

The University entered into an agreement with the Commonwealth of Pennsylvania (the “Commonwealth”) on August 1, 2002 to lease space in the Armory Building (the “Armory”) at no cost for an initial period of fifty years during which time the University agreed to complete certain improvements to the Armory at the University’s expense. Thereafter, the lease may be renewed for two, additional twenty-year periods at fair value. In the event the Commonwealth should desire to sell the property during the initial or additional lease periods, the University has the option to purchase the Armory for \$1,700,000, adjusted for inflation. In June 2018, the University and the Commonwealth of Pennsylvania entered into an amendment to the original lease agreement to extend the initial term for the “Drill Hall” portion of the lease to sixty-five years. The University remeasured the capital lease asset and liability based on the fair market value of the rent under the arrangement for the revised lease term of 65 years. The capital lease liability amounted to \$6,722,000 and \$6,846,000 at June 30, 2020 and 2019, respectively. These costs have been capitalized and a comparable capital lease liability recorded. In June 2018, the University entered into a sublease agreement for the Drill Hall portion of the Armory, the term of which is coterminous with the Armory lease. The sublease is for the benefit of the U.S. Squash Racquet Association. Rent under the sublease agreement is nominal for the entire lease term.

On January 23, 2012, the University and ACC OP (Chestnut PA), LLC, an affiliate of American Campus Communities (“ACC”), entered a triple net ground lease structure governing the conveyance of the land area located on 3200 Chestnut Street with a base lease term of forty years and three, ten-year option periods. In consideration for the right to develop, own, and operate the proposed project referred to as “Chestnut Square” on the University’s campus, ACC pays the University annual ground rent of \$254,000. Chestnut Square includes 360,000 square feet of residential space, housing approximately 863 students. The facility also includes 36,000 square feet of retail and office space along the Chestnut Street frontage. The structures consist of two eight story low-rise buildings and a nineteen-story high-rise residential tower at the corner of 32nd and Chestnut Streets. A 101,500-square foot parking structure containing 267 spaces is also included for the south side of the existing Creese Student Center. The University bears no cost of the Chestnut Square project. At the end of the lease (40-70 years), the asset reverts to the University.

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On August 30, 2013, the University entered into a land purchase agreement with 3175 JFK Associates, LP and L-A 31, LP, both affiliates of ACC, whereby ACC contributed land, air rights and a subsurface parcel it owned contiguous to Drexel's campus (i.e. 3175 JFK Boulevard) to the University as a gift, without any purchase consideration, but retained the ownership of the "University Crossings" building and improvements erected on this land. The University Crossings property consists of 1.15 acres of land and a 17-story, 452,483 square foot building with 261 units and a total bed capacity of 1,016. As a condition of the land purchase agreement, Drexel and ACC also entered into a ground lease agreement whereby Drexel leased the land back to ACC for no consideration other than reimbursement of property tax that Drexel would be required to pay as the landowner. The term of the lease is forty years with an option to renew for three consecutive ten-year terms. Payments to the University from ACC are recorded as a cost recovery of property taxes. Within five years from the effective date, ACC is required to complete no less than \$22,327,000 in capital improvements. The University's financial statements include a ground lease liability for the sub-parcel and air rights at June 30, 2020, and 2019 of \$9,950,000 and \$10,250,000 respectively. The University recognized \$300,000 of ground lease income related to this agreement during fiscal years 2020 and 2019.

The University entered into ground lease agreement with ACC OP (Lancaster PA), LLC ("ACC Lancaster"), an affiliate of ACC, on August 30, 2013 for property located at 3400 Lancaster Avenue to undertake "The Summit" project on the University's campus. The Summit project features a tiered eight story and five story mid-and low-rise building along Lancaster Avenue which includes 19,120 square feet of ground floor retail that faces Lancaster Avenue and 34th Street, a 23-story residential tower that sits on a one-story student amenity plinth and a one-story dining venue. The initial term of the lease is forty years, with an option to renew for three consecutive ten-year terms. In consideration for the right to develop, own, and operate The Summit, ACC pays the University annual ground rent of \$725,000.

In tandem with the execution of the ground lease agreement, the University entered into a sublease agreement with ACC Lancaster, for the dining facility at The Summit property at 3400 Lancaster Avenue. The sublease calls for annual rent payments of \$741,395 for the first thirty years of the sublease. The sublease is, in all respects, subject to and subordinate to the ground lease between the University and ACC established on August 30, 2013, to develop the 3400 Lancaster Avenue property. The term of the sublease follows the term of the ground lease, commencing September 2015. The initial term is 40 years with three, ten-year renewal options. At the expiration or sooner termination of the ground lease, title shall vest with the University and belong exclusively to the University without any interest on the part of ACC. The sublease provides a rent prepayment option, which allows the full 30 years of rent for the dining facility to be satisfied with an upfront payment of \$9,200,000. The University executed the option in September 2015. The amount is capitalized and amortized over the term of the lease.

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

On December 17, 2014, the University entered into a ground lease agreement with Study Philadelphia Holding, LLC (“SPHLLC”) to build an upscale hotel, “The Study”, on University property located at 3301 Chestnut Street and 20-40 South 33rd Street. The hotel features a ground floor restaurant and retail space, a conference center, approximately 212 hotel rooms, and accessory hotel amenities, with a main entrance on 33rd Street. The hotel includes a ten-story building, totaling 145,000 square feet of space. The base term of the lease is fifty years with two, ten-year renewal options. The annual rent commencement date is December 17, 2016 i.e. twenty-four months from the date of the lease. Upon the expiration of the lease, the leased premises will become the property of the University. The University recognized \$154,000 of ground lease income related to this agreement during fiscal years 2020 and 2019.

On October 2, 2015, the University entered into a ground lease agreement with RPG 32 Race, LP (“RPG”) for University property located at 3201 Race Street. RPG intends to lease the property and develop a 178,00-square foot multi-storied, mixed-use facility, consisting of 164 “Class A” rental apartment units, 13,800 square foot childcare center, ancillary amenities and improvements including a café and rooftop sundeck, 27 on-site parking spaces, accommodation for customer curbside drop-off for use in connection with the childcare center. Nobel Learning Communities, Inc. is the approved childcare operator. The annual rent commencement date is September 13, 2018 defined as twelve months following the substantial completion of the project. The initial term of the lease is seventy-five years with the option to extend the lease for one additional term of twenty-four years. The University recognized ground lease income of \$215,000 related to this agreement during fiscal years 2020 and 2019.

Schuylkill Yards

On May 9, 2016, the University entered into a master development agreement (the “Development Agreement”) with Brandywine Realty Trust (“BRT”), the sole general partner of Brandywine Operating Partnership, LP. As the master developer, BRT is provided certain rights and obligations, for a multi-phase, multi-component development on approximately 10.11 acres of University owned land (the “Drexel Site”) adjacent to the University’s main campus in the University City section of Philadelphia. The project’s master planned area includes the Drexel Site and up to four additional adjacent acres owned separately by the University and BRT, to be branded as “Schuylkill Yards.”

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Schuylkill Yards is contemplated to be developed in six phases over approximately 20 years, excluding extension options, and will consist of approximately 5.0 million square feet of floor area ratio (FAR) of commercial, office, educational, research, residential, and related facilities, as well as accessory green space uses. Approximately 50% of the total FAR value will consist of office, educational and research space, and the balance in residential, retail, hospitality and parking uses.

BRT intends to fund costs to develop each phase of Schuylkill Yards through a combination of cash on hand, capital raised through one or more joint venture formations, proceeds from the sale of other assets or debt financing, including project-specific leasehold mortgage financing. Terms of the Development Agreement were determined through arm's-length negotiation between the University and BRT.

On October 13, 2017, the University completed the initial conveyance for the Schuylkill Yards project involving the transfer of 3001 and 3025 Market Street to BRT. The total fair value of these properties included in the endowment was \$52,000,000. BRT commenced the construction of a large public realm area on the 3001 Market Street parking lot with completion in the second quarter of fiscal year 2019. The surface rights for 3001 Market Street were conveyed through a ground lease in consideration for \$100, as the University agreed to provide the land for a park to define and significantly enhance the value of the entire project. The 3025 Market Street parcel was conveyed through a 99-year prepaid ground lease combined with the conveyance of the vertical improvements and the subterranean rights of 3001 Market Street for \$35,000,000 resulting in a loss of \$17,000,000. The proceeds from both parcels were invested in the University's endowment portfolio replacing the real estate values for the 3001 and 3025 Market Street parcels. In addition to the conveyance transactions BRT provided \$370,000 for access to the property management staff at Academic Proprieties Inc., a Drexel subsidiary, to assist with the repositioning and re-tenanting of the 3025 Market Street property.

On March 22, 2018, the University completed the conveyance of the second parcel for the Schuylkill Yards project, 3001-3003 John F. Kennedy Boulevard to BRT. The 3001-3003 John F. Kennedy Boulevard parcel was conveyed through a 99-year prepaid ground lease for \$24,640,000 resulting in a gain of \$16,440,000. The proceeds were invested in the University's endowment portfolio replacing the real estate values for the 3001-3003 John F. Kennedy Boulevard.

On June 29, 2018, the University completed the conveyance of the third parcel for the Schuylkill Yards project, 3025 John F. Kennedy Boulevard to BRT. The 3025 John F. Kennedy Boulevard parcel was conveyed through a 99-year prepaid ground lease for \$20,545,000 resulting in a gain of \$13,945,000. The proceeds were received on July 2, 2018 and invested in the University's endowment portfolio replacing the real estate values for the 3025 John F. Kennedy Boulevard.

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10. Retirement Plans

Defined Benefit and Defined Contribution Plans

The University established the Drexel University Defined Contribution Retirement Plan (“DU DC”) effective April 1, 1972. Drexel University is the DU DC administrator. The trustees of the DU DC are Teachers Insurance and Annuity Association - College Retirement Equities Fund, as agent for JP Morgan Chase Bank, N.A. (“TIAA-CREF”), Vanguard Fiduciary Trust Company (“Vanguard”) and Fidelity Management Trust Company (“Fidelity”).

The DU DC is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Institution’s Investment Committee determines the appropriateness of the plan’s investment offerings, monitors investment performance, and reports to the Institution’s Board, who is responsible for the oversight of the Plan.

All eligible employees, defined as a full-time staff or faculty member, or a part-time employee who earns 1,000 hours of service or more during the 12-consecutive calendar month period beginning with his or her date of hire, can contribute their own deferrals on a pre-tax basis. Effective, January 1, 2015, all full-time faculty and professional staff who do not enroll in the DU DC within 31 days of their date of hire will be automatically enrolled at a rate of two percent (2%) to the default vendor, TIAA-CREF, with the next available payroll. Contribution changes, including stopping participation can be done at any time. Provided that an eligible employee contributes at least one percent (1%) of compensation, the University contributes a “Basic Contribution” to the DU DC equal to three percent (3%) for an eligible employee under the age of 50, and five percent (5%) for those 50 or older. The University contributes matching contributions to DU DC that are equal to one hundred percent (100%) of an eligible employee’s contributions up to six percent (6%). All basic and matching contributions are subject to certain Internal Revenue Code limitations.

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 \$40,288,000 and \$42,680,000 in 2020 and 2019, respectively.

ANS also maintains a defined benefit pension plan. This plan was frozen by the ANS Board of Trustees effective December 31, 2009, prior to the affiliation agreement with Drexel University on September 30, 2011.

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

<i>(in thousands)</i>	2020	2019
Weighted average assumptions as of June 30		
Discount rate	2.90 %	3.60 %
Expected return on plan assets	6.25 %	6.25 %
Accumulated benefit obligation		
Accumulated benefit obligation at June 30	\$ 21,966	\$ 21,096
Change projected in benefit obligation		
Net benefit obligation at June 30	\$ 21,096	\$ 19,650
Service costs	240	230
Interest costs	739	822
Actuarial (gain)/loss	1,208	1,589
Gross benefits paid	(1,317)	(1,195)
Net benefit obligation at June 30	\$ 21,966	\$ 21,096
<i>(in thousands)</i>	2020	2019
Change in plan assets		
Fair value of plan assets, at beginning of year	\$ 11,379	\$ 10,670
Actual return on plan assets	116	621
Employer contributions	1,396	1,283
Gross benefits paid	(1,317)	(1,195)
Fair value of plan assets, at June 30	\$ 11,574	\$ 11,379
Fair value of plan assets, at June 30	\$ 11,574	\$ 11,379
Benefit obligation	21,966	21,096
Net amount recognized, at June 30*	\$ (10,392)	\$ (9,717)

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

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The components of net periodic benefit cost are noted below:

<i>(in thousands)</i>	2020	2019
Weighted average assumptions used to determine net periodic benefit costs		
Discount rate	3.60 %	4.30 %
Expected return on plan assets	6.25 %	6.25 %
Components of net periodic benefit costs		
Service costs	\$ 240	\$ 230
Interest costs	739	822
Expected return on assets	(728)	(666)
Amortization of actuarial loss	1,820	1,633
Net periodic benefit cost	\$ 2,071	\$ 2,019

As of June 30, 2020, and 2019, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligations were \$21,966,000 and \$21,096,000 at June 30, 2020 and 2019, respectively. The fair value of the plan assets was \$11,574,000 and \$11,379,000 as of June 30, 2020 and 2019, respectively.

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

Expected benefit payments	
<i>(in thousands)</i>	
June 30,	
2020	1,187
2021	1,282
2022	1,295
2023	1,308
2024	1,330
2025-2029	6,509

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Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2020 and 2019 by asset category are as follows:

	2020	2019
Asset category		
Equity securities	46.1 %	46.2 %
Fixed income securities	30.6 %	28.6 %
Hedge fund and alternative investments	21.8 %	22.0 %
Cash	1.5 %	3.2 %
	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 plans assets is characterized as a 34%, 37%, 27%, and 2% allocation between equity, fixed income investments, alternative investments, and cash. The strategy currently utilizes indexed equity funds and fixed income funds, and several 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 to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

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The following tables present the plan assets at fair value as of June 30, 2020, and 2019 according to the valuation hierarchy (Note 6):

<i>(in thousands)</i>	2020				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets, at fair value					
Cash equivalents	\$ 175	\$ -	\$ -	\$ -	\$ 175
Mutual funds	9,149	-	-	-	9,149
Alternative investments	-	-	-	2,250	2,250
	\$ 9,324	\$ -	\$ -	\$ 2,250	\$ 11,574

<i>(in thousands)</i>	2019				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets, at fair value					
Cash equivalents	\$ 364	\$ -	\$ -	\$ -	\$ 364
Mutual funds	8,847	-	-	-	8,847
Alternative investments	-	-	-	2,168	2,168
	\$ 9,211	\$ -	\$ -	\$ 2,168	\$ 11,379

11. Other Post-Retirement Benefits

In addition to retirement plan benefits, the University also provides post-retirement benefits to retirees in the form of group life insurance, major medical insurance and tuition remission. All eligible faculty and professional staff members who have completed ten (10) years of full-time consecutive service with the University and are age 55 or older, if hired before September 1, 2013, or who have completed fifteen years of full-time consecutive service with the University and are age 60 or older if hired on or after September 1, 2013, excluding any professional staff member who is affiliated with a collective bargaining unit. Full-time consecutive service (10 or 15 years) is strictly services with Drexel University and does not include any subsidiaries.

The University shares the cost of coverage for medical plan options under this Plan with eligible retirees who retired prior to July 1, 2017. Retirees must pay the difference between the monthly cost for the health plan in which they are enrolled and the University's retiree allowance. For eligible retirees who retired from employment prior to September 1, 2014, the retiree allowance is \$400 per month for an eligible retiree and up to an additional \$400 per month for his or her spouse or same-sex domestic partner. For eligible retirees who retire from employment on or after September 1, 2014 but before July 1, 2017, the retiree allowance is \$300 per month for an eligible retiree and up to an additional \$300 per month for his or her spouse or same-sex domestic partner. The University reserves the

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right to change the level of the retiree allowance at any time. For eligible retirees who retire from employment after July 1, 2017, there is no retiree allowance and eligible retirees must pay the entire cost of medical coverage under this Plan. The retirees have a choice of various providers. The post-retirement health care plan is contributory, and the life insurance plan is noncontributory.

The net periodic post-retirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to \$1,074,000 and (\$800,000) respectively, for the years ended 2020 and 2019 and are reflected in the Consolidated Statements of Activities and included in Accrued retirement obligations in the Consolidated Statements of Financial Position.

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

Plans Funded Status

<i>(in thousands)</i>	2020	2019
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 36,230	\$ 39,588
Service cost	316	300
Interest cost	1,141	1,442
Actuarial (gain)	396	(1,535)
Plan participant contributions	784	582
Actual benefits paid	(4,988)	(4,147)
Benefit obligation, end of year	33,879	36,230
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	4,204	3,565
Plan participant contributions	784	582
Actual benefits paid	(4,988)	(4,147)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan*	\$ 33,879	\$ 36,230

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

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

Discount rate - benefit obligations	2.51%	3.39%
Discount rate - benefit cost	3.39%	4.22%
Ultimate retiree health care cost trend	4.50%	4.50%
Year ultimate trend rate is achieved	2028	2027

For measurement purposes, a 7.0% and an 6.25% annual rate of increase in the per capita cost of covered health care benefits for those over 65 and under 65, respectively, was assumed for 2020 grading down to ultimate rates of 4.5% in the year 2028 and thereafter.

Net Periodic Benefit Cost

<i>(in thousands)</i>	2020	2019
Components of net periodic benefit cost		
Service cost	\$ 316	\$ 300
Interest cost	1,141	1,442
Amortization of:		
Prior service credit	(1,536)	(1,536)
Net loss	858	801
Net periodic benefit cost	\$ 779	\$ 1,007
Other changes recognized in net assets without restrictions		
Net actuarial gain	\$ 396	\$ (1,535)
Amortization of:		
Prior service cost	1,536	1,536
Net (gain)	(858)	(801)
Total recognized in net assets without restrictions	\$ 1,074	\$ (800)
Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions		
Prior service credit	\$ (16,711)	\$ (18,247)
Actuarial loss	15,022	15,484
Amounts in unrestricted net assets, end of year	\$ (1,689)	\$ (2,763)
Amounts in net assets without restrictions expected to be recognized in net periodic benefit cost		
Prior service credit	\$ (1,536)	
Actuarial loss	\$ 910	

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For the fiscal years ended June 30, 2020 and 2019, the effect of a 1% change in the health care cost trend rate is as follows:

<i>(in thousands)</i>	2020		2019	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 53	\$ \$ (47)	\$ 53	\$ (47)
Effect on postretirement benefit obligation	370	(334)	297	(272)

Contributions

Expected contributions for the 2020 fiscal year are \$3,099,000.

Estimated future benefit payments

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

<i>(in thousands)</i>	
June 30,	
2020	3,099
2021	2,990
2022	2,868
2023	2,763
2024	2,621
Thereafter	11,556

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12. Bonds and Notes Payable

Bonds and notes payable at June 30, 2020 and 2019 are as follows:

<i>(in thousands)</i>	Project	Final Maturity	Effective Interest Rate at June 30, 2020	2020	2019
Fixed rate debt obligations					
Drexel University					
Series A of 2011	Capital improvements and equipment	2014-2041	2.00-5.25%	7,025	7,375
Series of 2012	Refunding	2014-2032	1.00-5.00%	9,775	11,280
Series of 2016	Refunding	2022-2037	2.00-5.00%	117,130	117,130
Series of 2017	Refunding	2018-2041	2.00-5.00%	114,415	116,150
11th Street Family Health Services Inc.					
The Reinvestment Fund, Inc.	New Market Tax Credit Program	2043	1.297%	2,717	2,717
The Reinvestment Fund, Inc.	New Market Tax Credit Program	2043	1.297%	6,783	6,783
3509 Spring Garden, LP					
Philadelphia Industrial Development Corporation	New Market Tax Credit Program	2044	1.517%	1,964	1,964
Philadelphia Industrial Development Corporation	New Market Tax Credit Program	2044	1.517%	4,826	4,826
U.S. Bank Corp Community Development Entity	New Market Tax Credit Program	2044	1.00%	1,045	1,045
U.S. Bank Corp Community Development Entity	New Market Tax Credit Program	2044	1.00%	2,205	2,205
Variable rate debt obligations					
Drexel University					
Second Series of 2000	Capital improvements and equipment	2019-2026	Variable	18,210	19,510
Series B of 2002	Capital improvements and equipment	2015-2032	Variable	39,990	40,340
Series B of 2005	Advance refunding	2019-2030	Variable	26,650	28,150
Series B of 2007	Capital improvements and equipment	2014-2037	Variable	22,440	23,295
Total outstanding bonds and notes payable				375,175	382,770
Line of Credit and other notes payable				128,150	30,000
Unamortized original issue premiums/discounts and cost of issuance, net				31,077	32,757
Total bonds and notes payable				\$ 534,402	\$ 445,527

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The documents pursuant to which the Pennsylvania Higher Educational Facilities Authority (“PHEFA”) Revenue Bonds are issued contain restrictive financial covenants which, among other things, require the University to fix, charge and collect tuition, rates, fees and other charges which will provide net revenues, together with other funds of the University available to pay debt service on such Revenue Bonds, in each fiscal year in an amount at least equal to the debt service requirements on such Revenue Bonds and other long-term indebtedness in such fiscal year. An event of default under the Revenue Bonds will only occur if the University fails to meet the foregoing covenant for two consecutive fiscal years and fails to comply with recommendations provided by a consultant, and so long as the University does not fail to pay debt service when due on the Revenue Bonds. At June 30, 2019, the University failed to meet the foregoing financial covenant, which was not an event of default under the PHEFA loan documents. The University was in compliance with these financial covenants at June 30, 2020.

The University has Reimbursement, Credit and Security Agreements with several banks in regards to letters of credit supporting the variable rate debt. Those agreements contain certain restrictive financial covenants which, among other things, require the University to maintain expendable resources of at least 50% of outstanding long-term debt and to maintain a minimum debt service ratio of not less than 1.1:1 for the fiscal year. As of June 30, 2019, the University was in a violation of debt service coverage ratio covenant, but such violation was waived by the applicable banks. The University was in compliance with these financial covenant requirements at June 30, 2020.

The variable rates of interest on the PHEFA Revenue Bonds are based on the weekly rate determined by the remarketing or auction agent, not to exceed 16% per annum.

In December 2017, the University issued PHEFA, Drexel University Revenue Refunding Bonds, Series of 2017 in the amount of \$117,800,000. The primary purpose of this issue was the refunding of most of the outstanding Series of 2011A bonds. The 2017 bonds will be maturing between May 1, 2018 and May 1, 2041. The bonds were issued on a parity basis with the University’s other outstanding Authority bonds and on a parity basis with the interest rate swap agreement in connection with the Series of 2005B bonds.

The Second Series of 2000, Series B of 2002, Series B of 2005, Series B of 2007, 2011, 2012, 2016 and 2017 bonds are secured by a security interest in unrestricted gross revenues.

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Debt maturities for the fiscal years ending are as follows:

<i>(in thousands)</i>	Maturities	Remarketed Debt	Total Debt
2021	8,253	5,730	13,983
2022	9,823	4,720	14,543
2023	8,658	7,190	15,848
2024	9,618	8,660	18,278
2025	9,998	9,025	19,023
Thereafter	255,182	71,965	327,147
	<u>301,532</u>	<u>107,290</u>	<u>\$ 408,822</u>
Cost of issuance			(2,570)
			<u>406,252</u>

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. These issues have been included in the above table based on the current terms of the loans. If the remarketing efforts were to fail, the maturities would reflect the terms of the letters of credit as follows:

<i>(in thousands)</i>	Remarketed Debt
June 30,	
2021	42,394
2022	24,951
2023	24,954
2024	6,663
2025	6,662
Thereafter	1,666
	<u>\$ 107,290</u>

Lines of Credit

The University closed a line of credit which was a term note for a total of \$3,500,000 for equipment purchases that accrued interest based on Libor plus 1.25%. There were no amounts outstanding at June 30, 2019.

Total unsecured Revolving Credit Facilities (“Facilities”) of \$55,000,000 and \$15,000,000 matures on December 31, 2020, and accrues interest based on Intercontinental Exchange Benchmark Administration “ICE” (subject to a floor of 0.75% on the \$55,000,000) for the University. It can be extended annually based upon the agreement of the University and the bank maintaining the Facilities. At June 30, 2020, the interest rate was .75% and .17% respectively. The amounts outstanding were \$70,000,000 and \$30,000,000 at June 30, 2020 and 2019, respectively.

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The University opened a \$30,000,000 line of credit in December 2019 to provide support and working capital for a joint venture. The line of credit matures on December 31, 2021. Interest accrues based upon 30-day LIBOR plus 50 basis points. At June 30, 2020 the interest rate was .67% and the amount outstanding was \$30,000,000.

13. Net Assets

Net assets included the following:

<i>(in thousands)</i>	2020	2019
Without donor restrictions:		
Operating	\$ (425,000)	\$ (364,065)
Physical plant	712,968	677,236
Quasi-endowment funds	270,457	277,042
Total net assets without donor restrictions	558,426	590,213
With donor restrictions:		
<i>Temporarily Restricted</i>		
Funds for programs and capital expenditures	124,187	106,210
Funds for endowments	155,980	169,611
Life income annuities	1,211	1,587
Beneficial interests in trusts	4,873	4,858
<i>Permanently Restricted</i>		
Funds for endowments	375,217	367,631
Life income annuities	1,442	2,397
Beneficial interests in trusts	34,189	34,978
Student loans and others	7,850	7,607
Total net assets with donor restrictions	704,950	694,879
Total net assets	\$ 1,263,375	\$ 1,285,092

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.

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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, 2020, and 2019:

(in thousands)

	2020			
	Tuition and Fees	Room and Board	Institutional Financial Aid	Total
Undergraduate	\$ 688,197	\$ 41,600	\$ (316,505)	\$ 413,293
Graduate	270,168	2,045	(39,043)	233,170
Tuition and fees, room and board	\$ 958,365	\$ 43,646	\$ (355,548)	\$ 646,463

(in thousands)

	2019			
	Tuition and Fees	Room and Board	Institutional Financial Aid	Total
Undergraduate	\$ 685,548	\$ 57,155	\$ (308,947)	\$ 433,756
Graduate	265,358	2,183	(35,533)	232,008
Tuition and fees, room and board	\$ 950,906	\$ 59,338	\$ (344,480)	\$ 665,764

Physician Services

Net patient care activity revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Performance obligations are met as Physician Services are administered to patients. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price.

In assessing collectability, the University elected the portfolio approach and grouped into portfolios based on services provided (practice plans). The portfolios elected consist of patients with similar characteristics in payment behavior. The following table disaggregates the Physician Services' revenue by major portfolios with similar characteristics for the years ended June 30, 2020 and 2019 respectively:

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<i>(in thousands)</i>	2020		2019	
Medicine	\$	194	\$	260
Nursing and Other		3,477		3,153
Psychiatry		266		388
Total physician services	\$	3,938	\$	3,801

Grants and Contracts

The University receives grant and contract revenue from governmental and private sources, which are considered non-exchange revenue transactions. The University generally recognizes revenue associated with the direct and the applicable indirect costs of sponsored programs as the related costs are incurred in accordance with the related cost principles outlines 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, 2020, and 2019:

<i>(in thousands)</i>	2020		
	Without donor restrictions	With donor restrictions	Total
Government grants and contracts:			
Federal	94,989	429	95,418
State	5,464	1,302	6,766
Local	567	132	699
Private grants and contracts	8,879	26,167	35,046
Total grants and contracts	109,899	28,030	137,929

<i>(in thousands)</i>	2019		
	Without donor restrictions	With donor restrictions	Total
Government grants and contracts:			
Federal	\$ 96,738	\$ 1,408	\$ 98,146
State	4,260	199	4,459
Local	433	186	619
Private grants and contracts	10,363	12,216	22,579
Total grants and contracts	\$ 111,794	\$ 14,009	\$ 125,803

As of June 30, 2020, and 2019, the University has outstanding unrecorded conditional grants receivable of \$116,484,000 and \$115,547,000. Revenue for these conditional grants will be recognized in future periods when the related barriers are overcome when the conditions have been substantially met.

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15. Functional and Natural Classification of Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation and interest expenses are allocated based on the square footage occupancy. Plant operations and maintenance represent space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy. Expenses reported as auxiliary enterprises, library, and student services are incurred in support of program services.

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

(in thousands)

	2020			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 396,191	\$ 57,981	\$ 9,845	\$ 464,017
Employee benefits	102,995	15,217	2,611	120,823
Depreciation and amortization	53,703	5,996	14	59,713
Interest	12,250	1,316	-	13,566
Other operating expenses	224,789	62,543	3,761	291,093
Total expenses	\$ 789,928	\$ 143,053	\$ 16,231	\$ 949,212

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

(in thousands)

	2019			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 433,563	\$ 54,400	\$ 9,682	\$ 497,645
Employee benefits	112,454	14,115	2,507	129,076
Depreciation and amortization	45,427	4,956	13	50,396
Interest	13,888	1,514	-	15,402
Other operating expenses	320,622	48,401	4,791	373,814
Total expenses	\$ 925,954	\$ 123,386	\$ 16,993	\$ 1,066,333

16. Professional Liability Insurance

Starting July 1, 2014, Drexel established a Self-Insurance Trust (“SIT”) to provide primary coverage for known claims medical professional liability coverage. The SIT provides primary coverage of \$500,000 for physicians and midwives and up to \$1,000,000 for other health professions and entity coverage. Physicians and midwives also participate in the Pennsylvania Medical Care Availability and Reduction of Error Fund (“Mcare”) that covers from \$500,000 to \$1,000,000. In addition, Drexel self-insures a layer of excess of up to \$2,000,000 above the Mcare Fund.

The Dragon Risk Limited, Co. provides excess coverage above the self-insured layer of an additional \$17,000,000.

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For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2020 and 2019, the University and its subsidiaries recorded gross combined reserves of \$35,306,000 and \$46,719,000, respectively and related recoveries from third party insurers of \$10,560,000 and \$12,213,000 at June 30, 2020 and 2019, respectively. For fiscal years 2020 and 2019, the reserves were discounted at 2% for the layers retained by the University and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2020 and 2019 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, 2020 and 2019, self-insurance escrow funds and malpractice insurance trust consisting of mutual funds and fixed income securities amounted to \$42,063,000 and \$57,412,000, respectively, were available to fund incurred but not reported liabilities.

17. Commitments and Contingencies

Healthcare Legislation and Regulation

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

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

Litigation

There is a pending litigation between SodexoMAGIC and the University in relation to the former food services agreement. There is also pending litigation between United Educators' Insurance and the University for breach of contract in relation to the general liability coverage for medical professionals.

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.

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Other Commitments and Contingencies

The University 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 and is renewed annually. There were no amounts outstanding as of June 30, 2020 and 2019.

The University maintains three letters of credit totaling \$4,144,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2020 and 2019.

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, 2021.
- 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, 2021.
- 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, 2024.
- 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 1, 2020.

There were no amounts outstanding on these bond-related letters of credit as of June 30, 2020 and 2019.

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, 2021 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, 2020.

Business Income Taxes

As referenced in Note 1 - Income Taxes, the University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The University and its non-profit affiliates are not subject to taxation for activities and income related to its exempt purpose. Unrelated business income (UBI) is defined by the Internal Revenue Service (IRS) as income generated in a trade or business that is regularly carried on and is not substantially related to further the exempt purpose of the organization. The University is subject to federal UBI tax related to the net income generated from consulting, conference services and investment income held in the endowment fund for which the investment manager has reported unrelated business income on an IRS Schedule K-1 for which it files an IRS Form 990-T, *Exempt Organization Business Tax Return*, annually. The University makes 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.

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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, 2020 and 2019, the University recorded (\$405,000) and \$1,125,000 as income tax expenses and assigned a functional expense category of institutional support for these expenditures. The University recorded a refund of \$678,000 and \$201,000 against fiscal year 2020 income tax expenses due to repeal of IRC section 512(a)(7) called “parking tax” or QTF related to fiscal years ended June 30, 2018 and 2017.

18. Related Party Transactions

Tenet Healthcare Corporation and American Academic Health System

On September 1, 2017, Tenet Healthcare Corporation (“Tenet”) announced that they had signed a definitive agreement to sell its two Philadelphia medical centers — Hahnemann University Hospital, St. Christopher’s Hospital for Children — to American Academic Health System (“AAHS”), a newly formed affiliate of Paladin Healthcare. On January 11, 2018, all operating agreements under Tenet Healthcare Corporation (“Tenet”) were transferred to American Academic Health System (“AAHS”) with the exception of the real estate assets related to the medical office buildings and parking garages, which were sold to Harrison Street and master leased to St. Christopher’s Hospital, LLC. The University in turn subleased from St. Christopher’s Hospital LLC. Under these agreements, the University acted both as a purchaser and provider of services. On June 30 of 2019, the owners of Hahnemann University Hospital (“HUH”) and St. Christopher’s Hospital for Children (“St. Christopher’s”), Philadelphia Academic Health System (“PAHS”), a subsidiary of the California based American Academic Health System (“AAHS”), filed for chapter 11 bankruptcy (See Note 19). Total services purchased from AAHS/Tenet for the years ended June 30, 2020 and 2019 were \$0 and \$12,309,000, respectively. These services included charges for various personnel, administrative and support services related to operating the College of Medicine and rent. Services provided to Tenet/AAHS included 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 AAHS/Tenet for these services amounted to \$0 and \$24,386,000 for the years ended June 30, 2020 and 2019, respectively.

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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. The agreement calls for the opening of a state of the art 120,000 sf facility in West Reading PA that will train at least 40 additional Drexel University medical students per year starting in July 2021. The academic affiliation agreement will allow the 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. In addition to the purchase, Drexel University and Tower Health each provided a \$30 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 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.

As of June 30, 2020, the University recorded the investment of \$33.4 million as interest in a partnership for St. Christopher’s Hospital (Note 5).

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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.

On March 20, 2020, the University received notice from Wexford Development, LLC of an event of Force Majeure based on Governor Wolf’s March 19, 2020 order that required complete cessation of construction and that might delay the obligations to perform under existing contracts. Drexel responded on March 24, 2020 and disputed the assertion of a Force Majeure event as there had not yet been any actual delay. Substantial Completion is expected on or before November 30, 2020.

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 will be developed by Wexford Development, LLC on the southern portion of 60 N. 36th Street, Philadelphia, Pennsylvania which is a portion of the tract of land that formerly housed University City High School. The building size is expected to be approximately 459,000 square feet. The building development will be aided by a number of financial mechanisms that include a prepaid ground lease between the University and uCity Academic Owner, LLC, 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.

On March 20, 2020, the University received notice from uCity Academic Owner, LLC of an event of Force Majeure based on Governor Wolf’s March 19, 2020 directive to cease all non-life-sustaining business. Drexel responded on March 24, 2020 and disputed that such order constituted an event of Force Majeure under either the Ground Lease or the Space Lease at that time. Construction was not scheduled to commence until September 30, 2020 and Wexford met this deadline by mobilizing on site in July 2020.

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3675 Market Sublease - DXC Technologies

In October 2018, Drexel University entered into a 20-year lease with Wexford-SCEC 3675 Market Street, LLC for space on the 9th, 10th, and 11th floors of 3675 Market Street, Philadelphia, PA for the College of Computing and Informatics (“CCI”). The 14-story building, opened in November, is located to the west of University City Campus. The Building offers offices, classrooms, laboratories, co-working and convening spaces. On August 29, 2019, Drexel University entered into a sublease with a strategic partner, DXC Technology Services LLC (DXC), to utilize a portion of the 9th floor space to create a “DXC Digital Transformation Center” and to help offset early term lease expenses as CCI continues to grow.

DXC is one of the largest technology companies globally, with over 175,000 employees and clients across 70 countries. DXC's former Chairman and CEO is a Drexel alumnus and Trustee. CCI is building an overarching strategic partnership with DXC to support DXC's technology talent needs, from talent development to recruitment and professional training. This strategic partnership has the potential to substantially increase CCI's total graduate enrollment numbers.

Drexel University/Ben Franklin Technology Partners Seed Fund

On November 15, 2015, the University and Ben Franklin Technology Partners of Southeastern Pennsylvania (“Ben Franklin”) signed a ten year agreement ending November 15, 2025, to establish a jointly funded initiative “the Fund”, managed by Ben Franklin in conjunction with the University that establishes four program areas: 1) seed investments from a jointly capitalized pool into University spin-outs and other agreed upon Drexel-based ventures, 2) post-investment portfolio management services, 3) appropriate counseling and support for all invested companies and access to all Ben Franklin services and programs, and 4) joint efforts to place Drexel talent with invested enterprises. The University has authorized an amount up to \$5,000,000 to be raised from donors and used for the program elements. Ben Franklin has also authorized up to \$5,000,000 to be allocated over the life of the initiative from available investment resources. All loans and/or investments made by the Fund will be made with equal participation between the University and Ben Franklin. All loans and/or investment administration will be handled by Ben Franklin. The University and Ben Franklin will share equally in the revenue, income and/or other forms of return from each loan/investment. Upon termination of the agreement, any uncommitted University funds, net of costs associated with any outstanding loan or investment will be returned to the University by Ben Franklin within 45 days of termination.

19. Discontinued Operations

On June 30 of 2019, the owners of Hahnemann University Hospital (“HUH”) and St. Christopher’s Hospital for Children (“St. Christopher’s”), Philadelphia Academic Health System (“PAHS”), a subsidiary of the California based American Academic Health System (“AAHS”), filed for chapter 11 bankruptcy. HUH was experiencing unsustainable financial losses and could not continue to operate under these financial conditions. As a result of the announcement, HUH’s facilities and departments released a timeline of planned closure dates with an estimated final shut down date of September 6, 2019. St. Christopher remained open and operated by a joint venture between the University and Tower Health (“Tower”), which acquired certain assets and liabilities of the hospital in a bankruptcy sale.

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Drexel's main business relationship with the HUH was an academic affiliation agreement that designated HUH as the medical school's primary academic partner for its medical student training and provided for Drexel's faculty to manage the hospital's residency program through 2022.

University leadership in anticipation of the 2022 conclusion of the Drexel Academic affiliation agreement with HUH had previously begun evaluating potential successor hospitals to replace HUH. As a result, on December 31, 2018, the University announced a 20-year academic affiliation with Tower, a six-hospital system with locations in the Philadelphia area, to open a new branch campus for Drexel medical students at Tower's flagship hospital, Reading Memorial Health in Reading Pennsylvania. The University and Tower signed a Letter of Intent on May 10, 2019, to transfer substantially all of the assets of the Drexel University Practice Plan to the Tower Health Medical Group on or before January 1, 2020. Tower, worked with the University's management, to structure agreements to finalize the transfer, defined research management services, and academic affiliation services.

The University took further steps to minimize potential disruptions within the College of Medicine and the University's financial operations as a result of the HUH bankruptcy and closure. In late June 2019, when PAHS notified the University of its intent to file for bankruptcy, the management team developed a timeline in which various departments would close and which ones would be transitioned to Tower. On July 19, 2019, Drexel announced its plan to eliminate certain healthcare service lines and discontinue positions of affected physicians and clinical staff employed by the practice plan. Tower Health worked with Drexel to transition some of the affected physicians and clinical staff to the Tower Health Medical Group on an accelerated basis. The initial closures began on August 23, 2019 and ended December 31, 2019. The transition departments were transferred on January 1, 2020 and at which time the University ceased operations of its practice plan.

The University, in the period ending June 30, 2019, accrued faculty severance of \$5,891,000 and staff severance of \$3,492,000, in addition to the total loss of \$32,268,000 related to the closure of physician practice plan. For faculty, the University was contractually required to provide 6-months' notice of termination and this notice was provided on July 15, 2019. Professional staff severance was determined by length of service and ranges from 2 weeks salary for less than 1 year of service to 5 month's salary for 5 or more years of service. All benefits were discontinued at the end of the month of the effective date of the position elimination. Accrued vacation and sick time, as applicable, were paid out in accordance with the University's policies. As part of the practice plan closure, the University assessed its equipment, furnishings, and software related to the physician practices. Most of these assets were sold or transitioned to Tower.

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The key components of loss from discontinued operations for the years ended June 30 were as follows (in thousands):

Statement of Financial Position:

	2020	2019
Assets:		
Cash, cash equivalents, and restricted cash		
Operating	\$ (3)	\$ (3)
Accounts receivable	1,339	(6,862)
Prepaid expenses and other assets	(18)	(845)
Assets held for sale	-	7,710
Liabilities:		
Accounts payable	\$ (1,244)	\$ (4,312)
Accrued liabilities	(6,099)	(12,342)
Deposits and deferred revenue	2	(6)
Liabilities held for sale	8,659	16,660
Change in net assets	-	-

Statement of Activities:

	2020	2019
Revenues:		
Physician services	(16,358)	(86,881)
Expenses:		
Salaries and wages	(28,482)	(64,775)
Employee benefits	(6,641)	(15,911)
Other operating expenses	(23,778)	(47,846)
Loss from discontinued operations:		
Closure of physician's practice plan	(42,543)	(41,651)
Change in net assets	-	-

Statement of Cash Flows:

	2020	2019
Operating activities:		
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	(1,339)	6,862
Other assets	18	845
Accounts payable and accrued liabilities	(7,343)	(16,654)
Deposits and deferred revenue	2	(6)
Other, net	8,659	8,950
Net cash (used in) by operating activities	(3)	(3)
Net change in cash and cash equivalents, and restricted cash	(3)	(3)

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20. COVID-19

The outbreak of the COVID-19 pandemic has caused domestic and global disruptions in operations for institutions of higher education. In March 2020, the University closed its campus in accordance with applicable governmental mandates and converted all instruction to online, and all employees who were able to do so began working remotely. The long-term effect to the University of the COVID-19 pandemic depends on various factors, including, but not limited to, the effect on student enrollment, the effect on demand for University programs that involve travel or that have international connections, and the long-term effect on financial markets and consequently the returns on and value of the University's investments, which cannot be fully quantified at this time. As of June 30, 2020, and through the date of these financial statements, the University evaluated its accounting estimates for any potential future impacts of the pandemic. While this evaluation did not result in a material effect to the University's financial statements as of June 30, 2020, future evaluations could result in a material effect depending on the eventual impact and duration of the pandemic.

21. Subsequent Events

The University evaluated events subsequent from June 30, 2020 through October 30, 2020, the date at which financial statements were issued.

A. University Revenue Refunding Bonds – Series of 2020

In July 2020, the University issued Drexel University Taxable Bonds, Series of 2020 in the amount of \$104,100,000. The primary purpose to reimburse itself for cost related to the acquisition of an interest in the St. Christopher's Hospital for Children for use in connection with its academic medical education program in pediatric medicine and to pay costs of issuance and for any other purposes duly authorized by the University. The bonds will be maturing between 2042 through 2050.

In August 2020, the University issued Pennsylvania Higher Educational Facilities Authority, Drexel University Revenue Bonds Series of 2020A and Series of 2020B in the amount of \$152,495,000. The primary purpose of this issue was the current refunding of all of the outstanding Series of 2000-2, 2002B, 2005B, 2007B and the advance refunding of portion of the Series of 2011A and Series of 2012 bonds. The bonds will be maturing between May 1, 2021 through May 1, 2050.