Drexel University

Financial Statements and
Schedule of Expenditures of Federal Awards
and Reports in Accordance with OMB Circular
A-133 Thereon
For the year ended June 30, 2013
EIN # 23-1352630

Drexel University
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For the year ended June 30, 2013

Independent Auditor's Report

To the Board of Trustees
Drexel University

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Drexel University and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities and cash flows, and related footnotes for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidated financial statements of the University as of June 30, 2012 and for the year then ended were audited by other auditors whose report, dated October 8, 2012, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the 2013 consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 2013 consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position or the results of operations of the individual companies.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2013. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
December 3, 2013

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
As of June 30, 2013 and 2012 (in thousands)

	2013	2012
Assets		
Cash and cash equivalents		
Operating cash	$ 81,432	$ 66,631
Risk Retention Group cash	6,072	3,961
Accounts receivable, net		
Tuition	54,244	54,448
Grants, contracts and other	60,295	52,594
Patients	8,537	6,281
Tenet Healthcare Corporation	3,119	3,105
Total accounts receivable, net	126,195	116,428
Contributions receivable, net	82,200	101,036
Other assets	19,234	16,962
Deposits with bond trustees	30,504	87,176
Student loans receivable, net	35,856	32,345
Beneficial interests in trusts	53,605	43,889
Investments	616,706	581,087
Land, buildings and equipment, net	803,733	706,109
Total assets	$ 1,855,537	$ 1,755,624
Liabilities		
Accounts payable	$ 60,205	$ 60,642
Accrued expenses	91,709	95,945
Deposits	35,128	24,545
Deferred revenue	77,928	78,877
Capital lease	2,930	2,993
Government advances for student loans	27,394	27,114
Postretirement and pension benefits	50,741	51,924
Bonds and notes payable	455,636	467,251
Total liabilities	801,671	809,291
Net assets		
Unrestricted	508,375	428,963
Temporarily restricted	255,460	240,878
Permanently restricted	290,031	276,492
Total net assets	1,053,866	946,333
Total liabilities and net assets	$ 1,855,537	$ 1,755,624

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, 2013 (in thousands)

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

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

Drexel University and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2012 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Tuition and fees	$ 697,171			$ 697,171
Less: Institutional financial aid	(163,513)			(163,513)
Net student revenue	533,658			533,658
Patient care activities	96,538			96,538
State appropriations	6,933			6,933
Government grants, contracts and contributions	104,629			104,629
Private grants and contracts	13,299			13,299
Private gifts	7,501	$ 36,563		44,064
Endowment payout under spending formula	10,529	14,213	$ 141	24,883
Investment income	5,783	1,240		7,023
Sales and services of auxiliary enterprises	73,540			73,540
Other sources	16,833	501		17,334
Net assets released from restrictions	41,579	(41,353)	(226)	
Total operating revenue	910,822	11,164	(85)	921,901
Operating expense				
College programs	301,104			301,104
Research and public service	107,635			107,635
Academic support	25,722			25,722
Student services	42,083			42,083
Institutional support	112,179			112,179
Scholarships and fellowships	16,638			16,638
Auxiliary enterprises	42,393			42,393
Total education and general	647,754	-	-	647,754
Patient care activities	110,182			110,182
Operation and maintenance	45,576			45,576
Interest	20,077			20,077
Depreciation and amortization	34,419			34,419
Total operating expense	858,008	-	-	858,008
Change in net assets from operating activities	52,814	11,164	(85)	63,893
Non-operating activity				
Endowment and other gifts			6,490	6,490
Realized/unrealized net (loss) gain on investments, net of endowment payout	(23,759)	(11,009)	1,779	(32,989)
Net assets acquired from the Academy of Natural Sciences (Note 17)	15,088	7,474	43,952	66,514
Other non-operating expense	(9,737)			(9,737)
Change in net assets from non-operating activities	(18,408)	(3,535)	52,221	30,278
Change in net assets	34,406	7,629	52,136	94,171
Net assets				
Beginning of year	394,557	233,249	224,356	852,162
End of year	$ 428,963	$ 240,878	$ 276,492	$ 946,333

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, 2013 and 2012 (in thousands)

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	$ 107,533	$ 94,171
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation and amortization of property	37,885	34,419
Provision for uncollectible accounts	4,525	1,574
(Gain) loss on disposal of equipment	(184)	917
Increase in beneficial interests in trusts	(9,716)	(4,950)
Contributions for long-term investment	(9,232)	(6,490)
Noncash contributions received	(14,676)	-
Proceeds from sales of donated securities	12,552	-
Actuarial change on annuity liabilities	1,689	(847)
Realized/unrealized (gain) loss on investments	(44,712)	17,205
Acquisition of Academy land, buildings & equipment at fair value (Note 17)	-	(20,581)
Acquisition of Academy investments at fair value (Note 17)	-	(41,974)
Deposits	10,583	-
Changes in operating assets and liabilities:		
Accounts receivable	(13,904)	(29,291)
Contributions receivable	18,487	(691)
Accounts payable and accrued expenses	(1,625)	9,215
Postretirement benefits	(1,183)	15,980
Other assets	(2,272)	8,406
Deferred revenue	(949)	(419)
Net cash provided by operating activities	**94,801**	**76,644**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(112,882)	(146,137)
Proceeds from sale of investments	121,658	134,515
Proceeds from student loan collections	5,019	5,238
Student loans issued	(8,569)	(6,532)
Purchase of land, buildings and equipment	(138,206)	(64,325)
Deposits placed with bond trustees	-	(329)
Use of deposits with bond trustees	56,672	14,719
Net cash used in investing activities	**(76,308)**	**(62,851)**
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	9,232	6,490
Proceeds from sales of donated securities	929	-
Payments on annuity obligations	(407)	(557)
Government advances for student loans	280	862
Proceeds from short-term borrowings	1,078	-
Proceeds from long-term borrowings	33,096	-
Repayment of long-term debt	(45,789)	(13,273)
Net cash used in financing activities	**(1,581)**	**(6,478)**
Net increase in cash and cash equivalents	**16,912**	**7,315**
Cash and cash equivalents at beginning of year	**70,592**	**63,277**
Prior year reclassification		
Cash and cash equivalents at end of year	**$ 87,504**	**$ 70,592**
SUPPLEMENTAL INFORMATION		
Gifts in kind	$ 1,669	$ 286
Cash paid for interest	$ 19,298	$ 20,003
Amounts accrued for purchase of land, buildings and equipment	$ 16,408	$ 20,874
Donated securities	$ 13,165	

1. Summary of Significant Accounting Policies

Basis of Financial Statements

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

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

Permanently Restricted

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

Temporarily Restricted

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

Unrestricted

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

Philadelphia Health & Education Corporation

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

Merger with Philadelphia Health & Education Corporation

On February 7, 2013, the PHEC Board of Trustees adopted by resolution the recommendation of a merger of PHEC with and into Drexel. The Drexel Board of Trustees adopted the resolution to merge on February 20, 2013. In accordance with the resolutions, PHEC will merge with and into Drexel, and the separate existence of PHEC will cease, effective July 1, 2014.

The merger is subject to the several preconditions: (i) there is no order or injunction of a court of competent jurisdiction preventing Drexel or PHEC from consummating the merger; (ii) that no governmental action, statute, rule or regulation shall have been enacted or adopted which would prohibit or make the consummation of the merger illegal; and (iii) approval for transfer PHEC endowment funds has been obtained from the Philadelphia Court of Common Pleas Orphans' Court Division. At this time the University is not aware of any preconditions that would preclude the consummation of the merger.

Academy of Natural Sciences of Philadelphia
Pursuant to an affiliation agreement dated September 13, 2011, the University owns 100% of the Academy of Natural Sciences of Philadelphia, doing business as The Academy of Natural Sciences of Drexel University ("ANS") (Note 17). ANS, founded in 1812, is an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. ANS is dedicated to encouraging and cultivating the sciences and advancing learning. ANS operates a public museum in Philadelphia and conducts systematics research and research in aquatic ecosystems, including integrating such research with education regarding biodiversity and the environmental sciences in collaboration with the University and its students. The balances and activities of ANS are included in the accompanying consolidated financial statements.

Academic Properties, Inc.
The University owns 100% of Academic Properties, Inc. ("API"), a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. API manages properties used by the University as well as other strategically located properties contiguous to the campus. The balances and activities of API are included in the accompanying consolidated financial statements.

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

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

At June 30, 2013 and 2012, total assets of the RRRG were $36,771,000 and $35,654,000, respectively, and ownership equity totaled $12,393,000 and $8,109,000, respectively. The balances and activities of the RRRG are included in the accompanying consolidated financial statements.

Cash and Cash Equivalents
Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. Included in cash and cash equivalents are amounts which are limited in use by agency agreements, such as Federal government loan programs, and Board mandated self-insurance liability funding. Amounts restricted as of June 30, 2013 and June 30, 2012 were $5,584,811 and $8,779,115, respectively.

Contributions Receivable

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

Beneficial Interests in Trusts

The University is the beneficiary of the income of certain trusts but has neither possession nor control of the investments. Beneficial interests in trusts are recorded at the present value of expected future cash flows and are primarily composed of equity and fixed income securities that have readily determinable values and would, if not for being held by third parties, be classified as Level 1. The primary unobservable inputs used in the fair value measurement of the trusts are the underlying securities held by the trust. Significant fluctuation in the securities held in the trusts could result in a material change in fair value.

Fair Value of Financial Instruments

The University applies fair value measurements to contributions receivable in the year of receipt, beneficial interests in trusts, endowment investments, self-insurance escrow funds, real estate, deposits with bond trustees, interest rate swaps and annuities. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans could not be made because the loans cannot be sold and can only be assigned to the U.S. Government or its designees. These loans are recorded at cost, less an allowance for doubtful accounts and the carrying value of the loans receivable from students under Drexel's loan programs approximate fair value. See Notes 4, 5, 6 and 10 for additional fair value disclosures.

Patient Care Activities

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

Patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers and others for services rendered. The University provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide payment for covered services at agreed-upon rates under certain fee schedules and various discounts. Provisions have been made in the consolidated financial statements to estimate contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

Nonoperating Activities

Nonoperating activities include permanently restricted contributions, realized and unrealized (loss) gain on investments net of payouts under the endowment spending policies, loss on the disposal of equipment, postretirement benefit adjustment, severances, net assets acquired and costs related to the acquisition and implementation of the Academy of Natural Sciences into Drexel operations and costs related to the upcoming merger of PHEC into Drexel.

Use of Estimates

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

Income Taxes

The University has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (Return of Organization Exempt from Income Tax) annually. No provision for income taxes is required in the University financial statements. However, DeL, a for-profit subsidiary, of the University does record provisions for income taxes which is immaterial to the University's consolidated financial statements as a whole. The University files U.S. federal, state and local information returns and no returns are currently under examination. The statute of limitations on the University's U.S. federal information returns remains open for three years following the year they are filed.

The University and its affiliates do from time to time incur incidental activities that are subject to unrelated business income for which appropriate income tax returns are filed. This primarily includes income from investments held in the endowment fund for which the investment manager has reported unrelated business income on a Schedule K-1 along with income from certain consulting and conference services.

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 740-10, Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. The University does not believe its financial statements include any uncertain tax positions.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with Accounting Principles Generally Accepted in the United States and International Financial Reporting Standards. The amendments, including expanded disclosures about Level 3 measurements, are effective for interim and annual periods beginning after December 15, 2011 and are applied prospectively. The University adopted this standard in these consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, Presentation and Disclosures of Patient Service Revenue Provision for Bad Debts and Allowance for Doubtful Accounts for Certain Health Care Entities, requiring that health care entities must reclassify their provisions for bad debts associated with patient services revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). This guidance is effective for fiscal years beginning after December 15, 2011. This standard is not applicable to the University or its subsidiaries.

In October 2012, the FASB issued ASU No. 2012-05, Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows, to address the diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows for not-for-profit entities. This guidance is effective for fiscal years beginning after June 15, 2013, with early adoption permitted. The University has adopted this guidance early within its statement of cash flows for the fiscal year ended June 30, 2013.

Accounting for Derivative Instruments and Hedging Activities

The University entered into a variable-to-fixed swap agreement with Wells Fargo Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The agreement resulted in a gain of $2,391,000 in 2013 and a loss of $3,751,000 in 2012.

The fair value of the interest rate swap agreement was ($4,250,000) and ($6,641,000), respectively, at June 30, 2013 and 2012.

The University also entered into a variable-to-fixed swap agreement with TD Bank, N.A., which converts the TD Bank loan to a fixed rate of 3.83% through the January 2014 termination date. The agreement resulted in a gain of $145,000 in 2013 and $244,000 in 2012. The fair value of the interest rate swap agreement was ($28,000) and ($174,000) at June 30, 2013 and 2012.

The swap agreements are used by the University to reduce exposure to the volatility in variable interest rates on long-term debt (Note 10). There were no other swap agreements in effect as of June 30, 2013 or 2012. The estimated fair value of terminating the swap agreements is reported as accrued expenses in the consolidated statements of financial position. The change in the estimated fair value of terminating the interest rate swap agreement is included in realized and unrealized net (loss) gain on investments in the nonoperating section of the consolidated statements of activities.

2. Net Assets

Net assets included the following:

	(in thousands)	
	2013	**2012**
Unrestricted		
Undesignated	$ (250,848)	$ (217,214)
Designated for colleges, departments and student loans	96,908	97,151
Physical plant	447,563	340,063
Quasi-endowment funds	221,206	217,527
Reclassification for endowments with deficiencies	(6,454)	(8,564)
Total unrestricted	508,375	428,963
Temporarily restricted		
Funds for instruction, scholarships and capital expenditures		
Unexpended	159,858	157,729
Endowment realized and unrealized gain	81,892	67,075
Reclassification for endowments with deficiencies	6,454	8,564
Life income and term endowment funds	7,256	7,510
Total temporarily restricted	255,460	240,878
Permanently restricted		
Endowment principal	253,403	250,014
Beneficial interests in trusts	29,546	19,614
Student loans and others	7,082	6,864
Total permanently restricted	290,031	276,492
Total net assets	$ 1,053,866	$ 946,333

3. Receivables

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

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

	(in thousands) 2013	2012
Tuition	$ 66,804	$ 62,717
Grants, contracts and other *	61,574	53,923
Patients, net of contractual allowances	13,811	11,568
Tenet Healthcare Corporation	3,202	3,279
	145,391	131,487
Less allowance for doubtful accounts	(19,196)	(15,059)
Accounts receivable, net	$ 126,195	$ 116,428

* 2012 includes the impact of adoption of ASU 2010-24 (Notes 1 and 13) and the acquisition of ANS (Note 17).

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. At June 30, 2013 and 2012, student loans represented 1.9% and 1.8%, respectively, of total assets.

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 $27,394,000 and $27,114,000 at June 30, 2013 and 2012, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the government.

At June 30, 2013 and 2012, student loans consisted of the following:

	(in thousands)	
	2013	**2012**
Student loans		
Federal government loan programs		
Perkins loan program	$ 24,494	$ 21,318
Health professions student loans and loans for disadvantaged students	4,961	5,507
Nursing student loans	37	43
Federal government loan programs	29,492	26,868
Institutional loan programs	9,438	8,512
	38,930	35,380
Less allowance for doubtful accounts		
Balances at beginning of year	(3,035)	(3,396)
Change in provision for doubtful accounts	(39)	361
Balances at end of year	(3,074)	(3,035)
Student loans receivable, net	$ 35,856	$ 32,345

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

The University considers the age of the amounts outstanding in determining the collectability of student loans receivable. The aging of student loans receivable based on days delinquent and the related allowance for doubtful accounts at June 30, 2013 and 2012 is as follows:

	(in thousands)				
2013	**< 30 Days**	**30–60 Days**	**61–90 Days**	**>= 91 Days**	**Total**
Student loans receivable					
Federal government loan programs	$ 23,781	$ 18	$ 28	$ 5,665	$ 29,492
Institutional loan programs	6,772	9	21	2,636	9,438
Total student loans receivable	30,553	27	49	8,301	38,930
Allowance for doubtful accounts					
Federal government loan programs			(3)	(1,757)	(1,760)
Institutional loan programs			(2)	(1,312)	(1,314)
Total allowance for doubtful accounts			(5)	(3,069)	(3,074)
Student loans receivable, net	$ 30,553	$ 27	$ 44	$ 5,232	$ 35,856

2012	< 30 Days	30–60 Days	61–90 Days	>= 91 Days	Total
	(in thousands)				
Student loans receivable					
Federal government loan programs	$ 21,327	$ 35	$ 28	$ 5,478	$ 26,868
Institutional loan programs	6,203	42	2	2,265	8,512
Total student loans receivable	27,530	77	30	7,743	35,380
Allowance for doubtful accounts					
Federal government loan programs			(3)	(1,669)	(1,672)
Institutional loan programs				(1,363)	(1,363)
Total allowance for doubtful accounts			(3)	(3,032)	(3,035)
Student loans receivable, net	$ 27,530	$ 77	$ 27	$ 4,711	$ 32,345

4. Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable are recorded net of a discount which averaged 1.2% and 1.3% at June 30, 2013 and 2012, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC 820-10 (Note 6).

Net contributions receivable at June 30 were as follows:

	2013	2012
	(in thousands)	
Amounts due in		
Less than one year	$ 16,316	$ 26,912
One to five years	$ 37,414	47,302
Greater than five years	$ 43,322	40,139
Gross contributions receivable	$ 97,052	$ 114,353
Less		
Allowance for uncollectibles	$ (1,259)	(910)
Discounts to present value	$ (13,593)	(12,407)
Total contributions receivable, net	$ 82,200	$ 101,036

Outstanding conditional promises to give amounted to $36,869,000 and $28,476,000 at June 30, 2013 and 2012, respectively, which are dependent upon the fulfillment of certain conditions and, therefore, not included in the consolidated financial statements.

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

	(in thousands) 2013	2012
Net contributions receivable at beginning of year	$ 101,036	$ 100,313
New pledges	18,173	30,105
Collections and adjustments	(35,375)	(35,412)
(Increase) decrease in allowance for uncollectibles	(448)	32
(Increase) decrease in present value discounts	(1,186)	5,998
Net contributions receivable at end of year	$ 82,200	$ 101,036

5. Investments and Investment Return

At June 30, 2013 and 2012, the fair value of investments included the following:

	Fair value (in thousands) 2013	2012
Equity securities	$ 244,603	$ 211,968
Fixed income securities and bond funds	65,110	53,312
Mutual funds	-	7,868
Alternative investments	77,535	85,083
Real estate and real assets funds	67,764	173,799
Directly-held real estate	110,445	-
Money market funds	10,790	12,211
Total endowment investments	576,247	544,241
Self-insurance escrow funds (Note 13)	10,858	10,174
Balanced index fund (Notes 13)	29,601	26,373
Real estate	-	299
Total investments	$ 616,706	$ 581,087

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2013 and 2012:

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

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Dividends and interest	$ 3,299	$ 68	$ -	$ 3,367
Net realized and unrealized (loss) gain	(22,702)	9,309	1,920	(11,473)
Return on investments	(19,403)	9,377	1,920	(8,106)
Interest income	5,783	1,240		7,023
Total return on investments	(13,620)	10,617	1,920	(1,083)
Investment return designated for current operations	(10,139)	(21,626)	(141)	(31,906)
Investment return net of amounts designated for current operations	$ (23,759)	$ (11,009)	$ 1,779	$ (32,989)

6. Fair Value of Financial Instruments

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

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

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

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

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

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

As a practical expedient, the University is permitted to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). The fair values of alternative investments represent the University's ownership interest in the net asset value (NAV) of the respective fund. Investments held by the fund consist of marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities held that do not have readily determinable fair values are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issue, and subsequent developments concerning the companies to which the securities relate.

The University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies. During 2012, the University determined that its beneficial interests in trusts were more appropriately classified as Level 2 in the fair value hierarchy. On June 30, 2012, the University transferred assets totaling $43,889,000 from Level 1 to Level 2.

During 2013, the University determined that beneficial interests in trusts of $53,605,000 and directly-held real estate of $110,445,000 were Level 3 in the fair value hierarchy and were reclassified from Level 2. Also during 2013, Investments of $54,587,000 for equity, fixed income, real estate and real asset funds were reclassified from Level 1 to Level 2. The University's policy is to recognize such transfers at the end of the reporting period, therefore these hierarchy level changes were recognized on June 30, 2013.

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

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

	2012			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Deposits with bond trustees	$ 87,176	$ -	$ -	$ 87,176
Beneficial interests in trusts	-	43,889	-	43,889
Investments				
Equity securities	211,968	-	-	211,968
Fixed income securities and bond funds	35,295	15,405	2,612	53,312
Mutual funds	-	7,868	-	7,868
Alternative investments	-	9,440	75,643	85,083
Real estate and real assets	32,279	111,724	29,796	173,799
Money market funds	12,211	-	-	12,211
Investments held in endowment	291,753	144,437	108,051	544,241
Self-insurance escrow funds (Note 13)	10,174	-	-	10,174
Balanced index fund (Note 13)	26,373	-	-	26,373
Real estate	-	299	-	299
Total investments	328,300	144,736	108,051	581,087
Total assets at fair value	$ 415,476	$ 188,625	$ 108,051	$ 712,152
Liabilities at fair value				
Interest rate swaps (Note 1)	$ -	$ 6,815	$ -	$ 6,815
Annuities	-	-	4,342	4,342
Total liabilities at fair value	$ -	$ 6,815	$ 4,342	$ 11,157

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

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

	2012			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Multi-Strategy Hedge Funds (a)	$ 15,108	$ -	Annual/Quarterly	45–60/65 days
Distressed Debt Hedge Funds (b)	11,665	-	Annual/Quarterly	90 days
Fixed Income and Related Hedge Funds (c)	25,690	-	Monthly/Quarterly	10–60/65 days
Private Capital Funds-Secondaries (d)	9,250	3,559		
Private Capital Funds-Venture Capital (e)	5,614	1,342		
Private Capital Funds-Distressed Debt (f)	3,247	559		
Private Capital Funds-Buy-out (g)	4,157	1,001		
Real Asset Funds (h)	12,297	16,911		
Real Estate Funds (i)	14,250	3,657		
Long/Short Equity Hedge Funds (j)	10,977	-	Annual/Quarterly	60/45 days
Private Capital Funds-Hedge Fund Seeder (k)	3,514	3,795		
Private Capital Funds-Mezzanine Debt (l)	1,722	3,000		
	$ 117,491	$ 33,824		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2013, the composite portfolio includes approximately 46% in distressed investments with a liquidation period of 1 to 3 years, 17% arbitrage opportunities, 24% cash, 6% long/short equity and 7% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. As of June 30, 2012, this category included investments of approximately 45% in credit and distressed credit (with a liquidation period of 1 to 3 years), 17% arbitrage opportunities, 29% cash, 3% long/short equity and 6% private equity. If the private equity investments were held, it is estimated that the underlying assets would have been liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.

b. This category includes investments in hedge funds that invest in debt of companies that are in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair value has been estimated using the net asset value per share of the investments. As of June 30, 2012, the liquidation period would have been the same (1 to 3 years) as the investment horizon was still 1 to 3 years. The fair values of the investments have been estimated using the 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, publicly traded corporate bonds, and sovereign debt and currency forward contracts of emerging market countries. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.

d. This category includes investments in private equity funds that invest in the secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, if the investments were held, it is estimated that the underlying assets of the fund would be liquidated over 2 to 12 years, given the addition of the new investment. As of June 30, 2012, the estimated liquidation period would have been 1 to 4 years. The fair value has been estimated using the net asset value per share of the private capital fund.

e. This category includes investments in private equity funds that invest primarily in technology and healthcare companies in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, if these investments were held, it is estimated that the underlying assets of the funds would be liquidated over 1 to 3 years. As of June 30, 2012, if these investments were held, it is estimated that the underlying assets would be liquidated over 1 to 4 years. The fair value has been estimated using the net asset value per share of the private capital fund.

f. This category includes investments in private equity funds that invest in legacy loans and securities which banks are otherwise unable to remove from their balance sheets. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, if these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 4 years. As of June 30, 2012, if these investments were held, it is estimated that the underlying assets would be liquidated over 1 to 5 years. The fair value has been estimated using the net asset value per share of the private capital fund.

g. This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are primarily in U.S. technology and healthcare companies, with one investment dedicated to Asian companies. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, if these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 4 years. As of June 30, 2012, if these investments were held, it is estimated that the underlying assets would be liquidated over 1 to 5 years. The fair value has been estimated using the net asset value per share of the private capital fund.

h. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, if these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 4 to 11 years. As of June 30, 2012, if these investments were held, it is estimated that the underlying assets would be liquidated over 5 to 12 years. A new investment was added in 2012 that has a 12 year term, extending the overall liquidation period. The fair value has been estimated using the net asset value per share of the real asset fund.

i. This category includes investments in private equity funds that invest in U.S. commercial real estate. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, if these investments were held, it is estimated that the underlying assets of the fund would be liquidated over the following time frames: approximately 1% in 1 to 2 years, 70% in 4 to 6 years and 29% in 7 to 9 years. As of June 30, 2012, if these investments were held, it is estimated that the underlying assets would be liquidated over the following time frames: approximately 4% in 1 to 3 years, 75% in 5 to 7 years, and 21% in 8 to 10 years. The fair value has been estimated using the net asset value per share of the real estate fund.

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

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

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

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

	(in thousands) 2013	2012
Assets at beginning of year	$ 108,051	$ 106,500
Net unrealized gain	5,406	1,593
Net realized loss	(2,600)	(1,336)
Purchases	21,589	26,850
Sales	(9,985)	(25,556)
Real estate and real assets funds transferred from level 2	110,445	-
Funds transferred from level 2	53,605	-
Assets at end of year	$ 286,511	$ 108,051

	(in thousands) 2013	2012
Annuities at beginning of year	$ 4,342	$ 5,746
Actuarial change on annuity liabilities	1,689	(847)
Payments on annuity liabilities	(407)	(557)
ANS annuity liabilities transferred	416	-
Annuities at end of year	$ 6,040	$ 4,342

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

In June 2012, the University was pledged two real estate partnership interests, which were recorded as private gifts and receivable with an estimated fair value of $3,000,000 as of June 30, 2012. During fiscal year 2013, based on additional information obtained, the University revised its estimate of fair value for the real estate interests and recorded the change of $9,100,000 as an increase in private gifts as of June 30, 2013. Upon receipt of the interests in fiscal year 2013, they were reclassified to investments.

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

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements as of June 30, 2013:

	(in thousands) Fair Value June 30, 2013	Valuation Techniques	Unobservable Inputs	Ranges Low	Ranges High
Investment in Real Estate and Real Estate Funds	$ 44,926	Income Capitalization Approach - Discounted Cash Flow	Discount Rate	8.00%	10.50%
			Terminal Cap Rate	6.50%	10.00%
Directly-held Real Estate	110,445	Income Capitalization Approach - Discounted Cash Flow	Discount Rate	6.48%	13.70%
			Terminal Cap Rate	5.60%	10.00%
		Income Capitalization Approach - Direct Capitalization	Overall Cap Rate	5.07%	13.62%
			Gross Rent Multiplier	8.50	10.50

The following is a reconciliation of the investments in real estate measured at fair value on a recurring basis using Level 3 inputs during the years ended June 30, 2013 and 2012. The following also includes total unrealized appreciation reported in the Consolidated Statement of Activities relating to investments in real estate held as of the reporting date.

	(in thousands) Investment in Real Estate 2013	2012
Beginning Balance	$ 109,955	$ 108,763
Additions		-
Total unrealized appreciation reported in the Consolidated Statement of Activities	490	1,192
Ending Balance	$ 110,445	$ 109,955

During the year ended June 30, 2013 it was determined that directly held real estate should be classified as level 3 based on factors applied to determine fair value.

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, 2013 and 2012, the University and PHEC had an endowment spending rule that limited the spending of endowment resources to 4.75% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years. The ANS spending rule for the year ended June 30, 2013 was 6.5% of a seven year rolling average and was 7% of a four year rolling average for the year ended June 30, 2012. To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use.

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. Board-designated temporarily restricted endowment funds represent funds having donor-imposed restrictions for which the Board has earmarked for endowment purposes. 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 gift instruments. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the endowment made in accordance with the direction of the applicable donor designation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141.

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

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 17,957	$ 60,949	$ 242,383	$ 321,289
Board-designated endowment funds	187,121	26,040	-	213,161
Total net assets	$ 205,078	$ 86,989	$ 242,383	$ 534,450

Changes in the University's endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 219,387	$ 104,394	$ 236,458	$ 560,239
Investment return				
Investment income, net of fees	2,737	3,545	201	6,483
Net realized gain	566	1,963	23	2,552
Net unrealized (loss) gain	(2,488)	(7,008)	1,712	(7,784)
Reclassification for funds with deficiencies	(4,295)	4,295	-	-
Total endowment return	(3,480)	2,795	1,936	1,251
Contributions	-	522	5,722	6,244
Use of endowment assets				
Annual transfer for operations	(10,665)	(14,297)	(1,237)	(26,199)
Other transfers	(164)	(6,425)	(496)	(7,085)
Total uses	(10,829)	(20,722)	(1,733)	(33,284)
Endowment net assets at end of year	$ 205,078	$ 86,989	$ 242,383	$ 534,450

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, while other assets maintain or exceed the level required. In accordance with accounting principles generally accepted in the United States, the aggregate amount of these deficiencies is reported in unrestricted net assets in the consolidated statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies were $6,454,000 and $8,564,000 as of June 30, 2013 and 2012, respectively.

8. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if acquired by gift, at the appraised value on the date of acquisition. Amortization and depreciation is computed on a straight-line basis over the lesser of the estimated useful lives of the assets (or term of the lease) or depreciated over the following useful lives: for equipment, between 3 and 30 years; software, between 3 and 7 years; land and building improvements, between 5 and 25 years; and buildings, between 30 and 60 years.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was $809,000 and $3,110,000 at June 30, 2013 and $743,000 and $3,176,000 at June 30, 2012, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the consolidated statements of financial position. In 2013 and 2012, depreciation and accretion expense amounted to $62,000 and $150,000, respectively, and $121,000 and $104,000, respectively.

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

(in thousands)	2013	2012
Works of art	$ 10,670	$ 10,589
Land and improvements	80,486	70,104
Buildings and improvements	775,593	704,955
Equipment, software and library books	182,834	180,989
Construction in progress	105,464	66,455
	1,155,047	1,033,092
Less: Accumulated depreciation	(351,314)	(326,983)
Total land, buildings and equipment	$ 803,733	$ 706,109

9. Leases

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

(in thousands)	
2014	$ 16,233
2015	14,332
2016	13,796
2017	13,579
2018	12,804
Thereafter	53,901
Total minimum lease payments	$ 124,645

Total rent expense for operating leases amounted to $21,854,000 and $14,830,000 for the years ended June 30, 2013 and 2012, respectively.

The University leases educational, research, and medical office space from Tenet under an operating lease expiring June 30, 2022. The future minimum payments are included in the table above. Total rent expense for the Tenet operating lease was $7,991,000 for each of the years ended June 30, 2013 and 2012.

The University entered into an agreement with the Commonwealth of Pennsylvania (the “Commonwealth”) on August 1, 2002 to lease space in the Armory Building (the “Armory”) at no cost for an initial period of fifty years during which time the University agreed to complete certain improvements to the Armory at the University’s expense. Thereafter, the lease may be renewed for two, additional twenty-year periods at fair value. In the event the Commonwealth should desire to sell the property during the initial or additional lease periods, the University has the option to purchase the Armory for $1,700,000, adjusted for inflation. There were no expenditures for improvements in fiscal years 2013 or 2012. Estimated costs for the required improvements amounted to $2,930,000 and $2,993,000 at June 30, 2013 and 2012, respectively. These costs have been capitalized and a comparable capital lease liability recorded.

10. Bonds and Notes Payable

Description	Project	Maturity	Interest Rate	2013 (in thousands)	2012 (in thousands)
Dormitory Bonds of 1965	Kelly Hall	2014-2015	3.00-3.50%	$ 220	$ 320
Dormitory Bonds of 1969	Calhoun Hall	2014-2019	3.00%	425	490
Philadelphia Industrial Development Corp.	Abbotts demolition/ parking lot	2014-2015	3.00%	198	299
Pennsylvania Higher Educational Facilities Authority Revenue Bonds					
Second Series of 2000	Capital improvements and equipment	2019-2026	Variable	22,500	22,500
Series A of 2002	Matheson Hall improvements, new research center, advance refunding	Refunded			11,950
Series B of 2002	Matheson Hall improvements, new research center, other improvements	2015-2032	Variable	42,140	42,140
Series A of 2003	Advance refunding	Refunded			20,659
Series A of 2005	Capital improvements and equipment	2014-2034	3.20-5.00%	28,184	29,043
Series B of 2005	Advance refunding	2019-2030	Variable	29,625	29,625
Series A of 2007	New laboratory	2030-2037	4.50-5.00%	95,661	95,800
Series B of 2007	Dormitory & Wellness Center; capital improvements and equipment	2014-2037	Variable	27,675	28,295
Series A of 2011	Partial cost of buildings for the Colleges of Business and Media Arts & Design, Department of Biology; Stratton Hall renovations; advance refunding	2014-2041	2.00-5.25%	157,514	158,774
Series of 2012	Advance refunding	2014-2032	1.00-5.00%	30,540	
TD bank loan	3501 Market & 3401 Filbert Street buildings				5,842
PHEC					
Pennsylvania Higher Educational Facilities Authority Revenue Bonds Series of 2007	Refund mortgage, capital improvements and equipment	2014-2037	3.75-5.00%	20,943	21,438
Academic Properties, Inc.					
Philadelphia Industrial Development Corp.	One Drexel Plaza Evening College renovations	2014	3.00%	11	76
Total bonds and notes payable				$ 455,636	$ 467,251

The variable rates of interest on the Pennsylvania Higher Educational Facilities Authority Revenue Bonds are based on the weekly rate determined by the remarketing or auction agent, not to exceed 16% per annum. The total market value of the $433,839,000 bonds was $461,723,000 at June 30, 2013, based on a comparison to current interest rates. The bonds are considered to be a Level 2 liability.

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

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

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

	(in thousands)		
	Maturities	**Remarketed Debt**	**Total Debt**
2014	$ 6,121	$ 650	$ 6,771
2015	8,749	680	9,429
2016	10,438	710	11,148
2017	11,438	745	12,183
2018	11,913	780	12,693
Thereafter	285,037	118,375	403,412
			$ 455,636

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

Lines of Credit
PHEC entered into a term note - line of credit of $3,500,000 for equipment purchases that accrues interest based on Libor plus 1.25%. Advances are available through June 30, 2014, with equal payments of principal and interest due sixty months thereafter. The line of credit is secured by a lien and security interest in deposits or other sums held by the lender or its affiliates. There were no amounts outstanding at June 30, 2013 and 2012.

Total unsecured Revolving Credit Facilities (“Facilities”) of $55,000,000 mature on June 30, 2014, and accrue interest based on Libor (subject to a floor of 0.75%) for the University and Libor (subject to a floor of 1.00%) plus 0.25% for PHEC. They can be extended annually based upon the mutual agreement of the University and PHEC and the bank maintaining the Facilities. At June 30, 2013 and 2012, the interest rates were 0.75% for the University and 1.25% for PHEC, respectively, and there were no amounts outstanding.

11. Retirement Plans

Defined Benefit and Defined Contribution Plans

The University and PHEC maintain contributory retirement plans which provide for the purchase of annuity contracts and mutual funds for the majority of full-time faculty and certain nonacademic employees. The University also participates in a contributory retirement plan which provides benefits for certain union employees. The policy is to fund pension costs accrued for these plans. Total retirement plan expense for all plans was $30,802,000 and $28,853,000 in 2013 and 2012, respectively.

Through December 31, 2009, ANS offered participation in either a defined benefit pension plan or a defined contribution retirement plan which are currently frozen to new members. Annual pension benefits are based upon a percentage of preretirement compensation. For the defined benefit pension plan, this percentage increases with years of service and the annual payment is adjusted based upon social security benefits. ANS funding policy is to contribute annually an amount as required by the Employee Retirement Income Security Act of 1974. For the defined contribution pension plan, contributions are based on a flat eight (8%) percent of annual compensation

Effective January 1, 2010, ANS established a new defined contribution 403(b) Retirement Plan for all eligible ANS employees. The new plan replaces both the defined benefit and TIAA-CREF plans for all new employees with a minimum of one year of service who are not otherwise eligible for the previous plans. For the year ended June 30, 2013, there were no employer contributions to the defined contribution plan. ANS did make required contributions to the frozen defined benefit plan in the amounts of $545,000 and $271,000 for 2013 and 2012.

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

	(in thousands) 2013	2012
Weighted average assumptions as of June 30		
Discount rate	5.00 %	4.40 %
Expected return on plan assets	6.75 %	6.75 %
Accumulated benefit obligation		
Accumulated benefit obligation at June 30	$ 14,841	$ 15,468
Change projected in benefit obligation		
Net benefit obligation at June 30	$ 15,468	$ 14,397
Service costs	92	46
Interest costs	665	350
Actuarial (gain)/loss	(771)	938
Gross benefits paid	(613)	(263)
Net benefit obligation at June 30	$ 14,841	$ 15,468

	(in thousands) 2013	2012
Change in plan assets		
Fair value of plan assets at beginning of year	$ 8,645	$ 8,215
Actual return on plan assets	760	421
Employer contributions	546	271
Gross benefits paid	(613)	(262)
Fair value of plan assets at June 30	$ 9,338	$ 8,645
Fair value of plan assets	$ 9,338	$ 8,645
Benefit obligation	(14,841)	(15,468)
Net amount recognized at June 30*	$ (5,503)	$ (6,823)

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

The components of net periodic benefit cost are noted below:

	(in thousands) 2013	2012
Weighted average assumptions used to used to determine net periodic benefit cost		
Discount rate	4.40 %	5.00 %
Expected return on plan assets	6.75 %	7.00 %
Components of net periodic benefit cost		
Service costs	$ 92	$ 46
Interest costs	665	350
Expected return on assets	(587)	(288)
Amortization of actuarial (gain) loss	(944)	805
Net periodic benefit cost	$ (774)	$ 913

As of June 30, 2013 and 2012, the measurement date used by ANS, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan are as follows as of June 30, 2013 and 2012:

	(in thousands) Projected Benefit Obligation Exceeds Fair Value of Plan Assets	
	2013	**2012**
Projected benefit obligation	$ 14,841	$ 15,468
Fair value of plan assets	9,338	8,645

	(in thousands) Accumulated Benefit Obligation Exceeds Fair Value of Plan Assets	
	2013	**2012**
Accumulated benefit obligation	$ 14,841	$ 15,468
Fair value of plan assets	9,338	8,645

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

	(in thousands)
Expected benefit payments	
2014	$ 700
2015	740
2016	774
2017	837
2018	904
2019-2022	$ 5,021

Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2013 and 2012 by asset category are as follows:

	(in thousands)	
	2013	**2012**
Asset category		
Equity securities	30.6 %	27.6 %
Fixed income securities	37.5	37.4
Hedge fund and alternative investments	28.0	32.5
Cash	3.9	2.5
	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 ANS investment strategy is based on identifying the appropriate mix of assets that achieve an optimal balance between risk and investment return potential. The strategy focuses on five fundamental decision points:

Overall portfolio risk
Diversification across equity markets
Diversification across fixed income markets
Allocation to hedge funds
Allocation to real estate

Accordingly, the composition of the ANS plan assets is characterized as a 40%, 22%, and 38% allocation between equity, alternative investments, and fixed income investments. The strategy currently utilizes indexed equity funds and fixed income funds, and a number of alternative investment vehicles. The alternative investments are allocated among various classes, including but not limited to: equities, hedge funds, fixed income, natural resources, and real estate. The strategy allows ANS to invest in a diversified manner with a mix of assets that are set not to be highly correlated. This diversity is designed to reduce the potential of a single security or asset class from having a disproportionate or significant impact on the portfolio.

The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

The following table sets forth by level, within the fair value hierarchy, the ANS pension plan assets at fair value at June 30, 2013 and 2012:

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

	2012			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Cash equivalents	$ 208	$ -	$ -	$ 208
Mutual funds	5,403	-	-	5,403
Alternative investments	-	-	3,034	3,034
	$ 5,611	$ -	$ 3,034	$ 8,645

The following table sets forth a summary of changes in the fair value of ANS plan's Level 3 assets for the year ended June 30, 2013 and six months ended June 30, 2012:

	(in thousands) 2013	2012
Assets at beginning of year	$ 3,034	$ 3,002
Dividends and interest	38	-
Net unrealized gain	196	159
Transfers out	(171)	(127)
Assets at end of year	$ 3,097	$ 3,034

12. Other Post-Retirement Benefits

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

The net periodic postretirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to ($3,910,000) and $6,424,000 respectively, for the years ended 2013 and 2012 and are reflected in the consolidated statements of activities and included in postretirement benefits in the consolidated statements of financial position.

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

Plan's Funded Status:

	(in thousands)	
	2013	**2012**
Change in Benefit Obligation		
Benefit Obligation, Beginning of Year	$ 45,017	$ 35,826
Service Cost	2,266	1,579
Interest Cost	1,818	1,912
Actuarial (Gain)/Loss	(2,265)	7,501
Plan Participant Contributions	353	589
Actual Benefits Paid	(2,101)	(2,390)
Benefit Obligation, End of Year	45,088	45,017
Change in Plan Assets		
Fair Value of Plan Assets, Beginning of Year	-	-
Employer Contributions	1,748	1,801
Plan Participant Contributions	353	589
Actual Benefits Paid	(2,101)	(2,390)
Fair Value of Plan Assets, End of Year	-	-
Unfunded Status of the Plan	$ 45,088	$ 45,017
Weighted Average Assumptions to Determine Benefit Obligations and Net Cost as of June 30		
Discount Rate	4.00% - 4.65%	4.00% - 5.40%
Ultimate Retiree Health Care Cost Trend	5.00%	5.00%
Year Ultimate Trend Rate is Achieved	2025	2025

For measurement purposes, a 9.80% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2013 grading down to ultimate rates of 5.0% in the year 2025 and thereafter.

Net Periodic Benefit Cost:

	(in thousands)	
	2013	**2012**
Components of Net Periodic Benefit Cost		
Service Cost	$ 2,266	$ 1,579
Interest Cost	1,818	1,912
Amortization of Net (Gain)/Loss	1,645	1,077
Net Periodic Benefit Cost	$ 5,729	$ 4,568
Other Changes Recognized in Unrestricted Net Assets		
Net Actuarial (Gain)/Loss	$ (2,265)	$ 7,501
Amortization of Actuarial Net (Gain)/Loss	(1,645)	(1,077)
Total Recognized in Unrestricted Net Assets	$ (3,910)	$ 6,424
Amounts not yet reflected in Net Periodic Benefit Cost and included in Unrestricted Net Assets		
Actuarial (Gain)/Loss	$ 17,487	$ 21,397
Amounts in Unrestricted Net Assets, End of Year	$ 17,487	$ 21,397
Amounts in Unrestricted Net Assets Expected to be Recognized in Net Periodic Benefit Cost in Fiscal 2014		
Actuarial (Gain)/Loss	$ 1,170	

In 2013 and 2012, the effect of a 1% change in the health care cost trend rate is as follows:

	2013		2012	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on Net Periodic Benefit Cost	$ 4,659	$ (4,091)	$ 4,001	$ (3,544)
Effect on Postretirement Benefit Obligation	20,361	(18,399)	27,314	(24,734)

Contributions:
Expected contributions for the 2014 fiscal year are $1,170,000.

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

	(in thousands)
Year Ending June 30:	
2014	$ 2,237
2015	2,302
2016	2,374
2017	2,448
2018	2,531
Thereafter	14,129

13. Professional Liability Insurance

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

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2013 and 2012, the University, PHEC and the RRRG recorded gross combined reserves of $31,623,000 and $35,073,000, respectively, and related recoveries from third party insurers of $5,300,000 and $6,164,000, respectively. For fiscal years 2013 and 2012, the reserves were discounted at 6.25% for the RRRG retained layer and 2% for the layers retained by University, PHEC and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2013 consolidated statements of financial position. In 2013, the liability, net of the reinsurance recovery, is recorded in accrued expenses (see recent accounting pronouncements above). At June 30, 2013 and 2012, escrow funds of $11,360,000 and $10,174,000, respectively, and balanced index funds of $29,601,000 and $26,373,000 at June 30, 2013 and 2012, respectively, are available to fund these liabilities (Note 5).

14. Commitments and Contingencies

Healthcare Legislation and Regulation

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

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

Litigation

The nature of the educational and healthcare industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and healthcare services at a large institution. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters will not have a materially adverse effect on the financial condition or results of operations.

Other Commitments and Contingencies

PHEC maintains a letter of credit in the amount of $260,000 for the benefit of Pennsylvania Manufacturer's Association associated with workers' compensation insurance. The letter of credit will expire on March 14, 2014 and is renewed annually. There were no amounts outstanding as of June 30, 2013 or 2012.

PHEC also 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. It expires on May 14, 2014 and is renewed annually. There were no amounts outstanding as of June 30, 2013 or 2012.

The University maintains four letters of credit totaling $2,200,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2013 and 2012.

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

- The Second Series of 2000 bond has a letter of credit in an amount not to exceed $22,500,000, plus required interest coverage, which will expire June 1, 2016.
- The Series B of 2002 bond has a letter of credit in an amount not to exceed $42,140,000, plus required interest coverage, which will expire June 1, 2016.
- The Series B of 2005 bond has a letter of credit in an amount not to exceed $30,047,055 which will expire September 30, 2014.

- The Series B of 2007 bond has a letter of credit in an amount not to exceed $29,879,704, plus required accrued interest, which will expire October 7, 2014.

There were no amounts outstanding on these bond-related Letters of Credit as of June 30, 2013 and 2012.

On June 30, 2012, the ANS $2,500,000 line of credit agreement with Citizen's Bank expired and was replaced by a new line of credit with the University. This unsecured line of credit allows ANS to borrow up to $1,500,000 to meet short term cash flow needs. It expires on June 30, 2014 and will automatically renew for an additional 12-month period unless a 30-day notice of non-renewal is provided. The amount outstanding at June 30, 2013 was $1,078,000.

15. Related Party Transactions

PHEC has various operating agreements with Tenet. Under these agreements, PHEC acts both as a purchaser and provider of services. Total services purchased from Tenet for the years ended June 30, 2013 and 2012 were $12,269,000 and $12,571,000, respectively. These services include charges for various personnel, administrative and support services related to operating PHEC and rent. Services provided to Tenet include administrative, supervisory and teaching services connected with faculty physician and residency programs and services and support provided by physicians to support hospital operations. Total charges to Tenet for these services amounted to $23,836,000 and $21,287,000 for the years ended June 30, 2013 and 2012, respectively, and are mainly included in patient care activities revenue in the accompanying consolidated statements of activities.

16. Operating Expenses

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

	(in thousands)	
	2013	**2012**
College programs	$ 34,312	$ 32,665
Research and public service	20,007	20,958
Academic support	6,177	5,401
Student services	12,855	11,031
Institutional support	7,668	7,178
Auxiliary enterprises	21,238	19,690
Patient care activities	2,912	3,149
	$ 105,169	$ 100,072

17. Academy of Natural Sciences Acquisition

On September 13, 2011, the University entered into an affiliation agreement with the Academy of Natural Sciences of Philadelphia ("ANS") whereby, effective on September 30, 2012, the University undertook a controlling interest in ANS establishing it as a non-for-profit subsidiary of the University. No monetary consideration was exchanged in this transaction. Both the ANS and the University retain their separate corporate identities and missions. ANS remains a separate 501(c)(3) nonprofit organization with its own Board of Trustees and retains its corporate name (d.b.a. The Academy of Natural Sciences of Drexel University). The University is the sole voting member of ANS.

The University assumed responsibility for the fiscal condition of ANS and the management of its financial resources. ANS endowment funds will continue to be used only for the benefit of ANS and to support its operations, programs and activities and all restrictions on such funds will continue to be honored. ANS collections and scientific resources will be preserved and managed in a manner to enhance scientific and reputational value and they are not to be liquidated or sold for budgetary reasons. Care and preservation of the collections and scientific resources will be overseen by the ANS Board of Trustees.

The affiliation agreement with ANS was accounted for using the acquisition method of accounting as set forth in ASC topic 958-805, *Not-for-Profit Business Combinations,* and therefore assets acquired and liabilities assumed were recorded at estimated fair value. Accordingly, an independent appraisal of ANS land and buildings was obtained whereby an adjustment of $5,869,233 was recorded to increase these assets to fair value.

ANS has converted from a calendar year organization to a June 30th fiscal year organization, beginning January 1, 2012 through June 30, 2012 and for each June 30th thereafter, matching Drexel's fiscal year. A final calendar year financial report was completed for the year ended December 31, 2011 followed by a stub year financial report for the six months ended June 30, 2012. Separate financial disclosures were included in these reports for the period from September 30, 2011 (the effective date of the affiliation) through June 30, 2012.

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

THE ACADEMY OF NATURAL SCIENCES OF PHILADELPHIA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

Assets	
Cash	$ 3,897,573
Accounts receivable, net of reserve for uncollectible accounts ($73,416)	946,523
Grants receivable	297,568
Contributions receivable	607,867
Investments	41,974,212
Property and equipment	20,580,731
Beneficial interest in trust	6,678,072
Other assets	513,797
Total assets	$ 75,496,343
Liabilities and net assets	
Liabilities	
Accounts payable and accrued expenses	$ 790,630
Deposits	203,362
Other liabilities	6,887,748
Notes payable	1,100,000
Total liabilities	8,981,740
Net assets	
Unrestricted	15,087,791
Temporarily restricted	7,474,399
Permanently restricted	43,952,413
Total net assets	66,514,603
Total liabilities and net assets	$ 75,496,343

The University has recognized the excess of net assets acquired over consideration transferred as a nonoperating addition in its consolidated statement of activities.

For the nine months ended June 30, 2012, ANS reported the following summary results, net of eliminations for intercompany transactions, which have been included in the University's Consolidated Statement of Activities:

	For the Nine Months Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total support and revenues	$ 6,286,095	$ 2,146,190	$ -	$ 8,432,285
Net assets released from restriction	3,317,044	(3,317,044)		-
Total operating revenues	9,603,139	(1,170,854)	-	8,432,285
Total operating expenses	12,367,062	-	-	12,367,062
Change in net assets from operating activity	(2,763,923)	(1,170,854)	-	(3,934,777)
Nonoperating activities	131,388	565,548	3,720,202	4,417,138
Change in net assets	(2,632,535)	(605,306)	3,720,202	482,361
Net assets				
September 30, 2011	15,087,791	7,474,399	43,952,413	66,514,603
June 30, 2012	$ 12,455,256	$ 6,869,093	$ 47,672,615	$ 66,996,964

The University's unaudited estimated pro forma revenue and changes in unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets for the fiscal years ending June 30, 2012 and 2011, as if the acquisition had occurred at July 1, 2010, are:

	Revenues	Change in Unrestricted Net Assets	Change in Temporarily Restricted Net Assets	Change in Permanently Restricted Net Assets
July 1, 2011 to June 30, 2012	$ 924,712,000	$ 18,440,000	$ (47,000)	$ 9,424,000
July 1, 2010 to June 30, 2011	$ 907,451,000	$ 53,015,000	$ 88,524,000	$ 17,998,000

18. Subsequent Events

The University evaluated events subsequent to June 30, 2013 through December 3, 2013 and determined that, except as noted below, there were no additional events requiring adjustment to or disclosure in the consolidated financial statements.

Dornsife Center - New Market & Historic Tax Credits:
In August 2013, the University executed several agreements with U.S. Bancorp ("USB") and Philadelphia Industrial Development Corporation ("PIDC") for the development of the Dornsife Community Extension Center located at 3509-13 Spring Garden Street, Philadelphia as approved by the Board of Trustees and associated committees by Resolutions in September and December 2012. Pursuant to the agreements the University provided funding of $7 million, while USB and PIDC provided $4 million in New Market Tax Credits and $1.3 million in Historic Tax Credits for the establishment and renovation of the center. The University's portion of the funding

was provided by a $10 million gift received from the Dornsife family in fiscal year 2012 a portion of which was also used to fund the acquisition of the 3509 property in February 2013. The property is held by a Qualified Active Low Income Community Business or QALICB.

3400 Lancaster Avenue:
In September 2013, pursuant to the Resolution approved by the Board of Trustees and associated committees in December 2012, the University executed all necessary agreements for a ground lease and site development of 3400 Lancaster Avenue, Philadelphia, PA with American Campus Communities (“ACC”) allowing for the development of a mixed use, retail and student housing, at ACC’s sole cost and expense. It is anticipated that the new facility will provide 1,248 beds, parking, a 22,500 square foot dining facility and approximately 20,000 square feet of retail space.

University Crossings:
In September 2013, pursuant to the Resolution approved in December 2012 by the Board of Trustees and associated committees, the University executed all necessary agreements with ACC for the acquisition and lease back of the land and the acquisition of the air rights for the property known as University Crossings, 3175 John F. Kennedy Boulevard, Philadelphia. The transfer of the land will be a donation given in part in consideration for the University leasing the property to ACC pursuant to a Ground Lease. ACC retained ownership of the existing structure on the property consisting of 261 units with a total bed capacity of 1,016 and 52,000 square feet of academic space.

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATING STATEMENTS of FINANCIAL POSITION as of June 30, 2013 (in thousands)
Supplemental Consolidating Schedule of Financial Position

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

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

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATING STATEMENTS of FINANCIAL POSITION as of June 30, 2012 (in thousands)
Supplemental Consolidating Schedule of Financial Position

	Drexel University, API, DeL and ANS	PHEC and RRRG	Elimin/Reclass Adjustments	Total
ASSETS				
Cash and cash equivalents:				
Operating cash	$ 55,092	$ 11,539	$ -	$ 66,631
Risk Retention Group cash	-	3,961	-	3,961
Accounts receivable, net:				
Tuition	54,448	4,557	(4,557)	54,448
Grants, contracts and other	37,679	17,731	(2,816)	52,594
Patients	-	6,281	-	6,281
Tenet Healthcare Corporation	-	3,105	-	3,105
Total accounts receivable, net	92,127	31,674	(7,373)	116,428
Contributions receivable, net	99,087	1,949	-	101,036
Other assets	13,151	3,811	-	16,962
Deposits with bond trustees	85,685	1,491	-	87,176
Student loans receivable, net	19,782	12,563	-	32,345
Beneficial interests in trusts	25,633	18,256	-	43,889
Investments	422,063	159,024	-	581,087
Land, buildings and equipment, net	650,388	58,247	(2,526)	706,109
Total assets	**$ 1,463,008**	**$ 302,515**	**$ (9,899)**	**$ 1,755,624**
LIABILITIES				
Accounts payable	$ 49,416	$ 11,226	$ -	$ 60,642
Accrued expenses	50,934	45,011	-	95,945
Payable to affiliates	7,373	-	(7,373)	-
Deposits	18,279	6,266	-	24,545
Deferred revenue	76,710	2,167	-	78,877
Capital leases, affiliate and other	2,993	2,526	(2,526)	2,993
Government advances for student loans	13,661	13,453	-	27,114
Postretirement benefits	51,924	-	-	51,924
Bonds and notes payable	445,813	21,438	-	467,251
Total liabilities	**717,103**	**102,087**	**(9,899)**	**809,291**
NET ASSETS				
Unrestricted	401,350	27,613	-	428,963
Temporarily restricted	181,009	59,869	-	240,878
Permanently restricted	163,546	112,946	-	276,492
Total net assets	**745,905**	**200,428**	**-**	**946,333**
Total liabilities and net assets	**$ 1,463,008**	**$ 302,515**	**$ (9,899)**	**$ 1,755,624**

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

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATING STATEMENT of ACTIVITIES for the year ended June 30, 2013 (in thousands)

Supplemental Consolidating Schedule of Statement of Activities

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

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

DREXEL UNIVERSITY and SUBSIDIARIES

CONSOLIDATING STATEMENT of ACTIVITIES for the year ended June 30, 2012 (in thousands)

Supplemental Consolidating Schedule of Statement of Activities

	Drexel University, API and DeL	PHEC	Elimination Adjustments	Total
OPERATING REVENUE				
Tuition and fees	$ 631,651	$ 68,190	$ (2,670)	$ 697,171
Less: institutional financial aid	(158,940)	(4,573)	-	(163,513)
Net student revenue	472,711	63,617	(2,670)	533,658
Patient care activities	-	96,538	-	96,538
State appropriations	4,476	2,457	-	6,933
Government grants and contracts	82,484	22,145	-	104,629
Private grants and contracts	8,290	5,009	-	13,299
Private gifts	39,680	4,384	-	44,064
Endowment payout under spending formula	18,859	6,024	-	24,883
Investment income	4,657	2,366	-	7,023
Sales and services of auxiliary enterprises	73,540	-	-	73,540
Other sources	27,664	26,261	(36,591)	17,334
Total operating revenue	**732,361**	**228,801**	**(39,261)**	**921,901**
OPERATING EXPENSE				
College programs	281,869	19,235	-	301,104
Research and public service	79,494	28,141	-	107,635
Academic support	19,384	6,338	-	25,722
Student services	40,542	2,071	(530)	42,083
Institutional support	121,654	29,098	(38,573)	112,179
Scholarships and fellowships	12,905	3,733	-	16,638
Auxiliary enterprises	42,393	-	-	42,393
Total education and general	**598,241**	**88,616**	**(39,103)**	**647,754**
Patient care activities	-	110,182	-	110,182
Operation and maintenance	29,748	15,828	-	45,576
Interest	19,094	983	-	20,077
Depreciation and amortization	27,007	7,570	(158)	34,419
Total operating expense	**674,090**	**223,179**	**(39,261)**	**858,008**
Change in net assets from operating activities	**58,271**	**5,622**	**-**	**63,893**
NON-OPERATING ACTIVITY				
Endowment and other gifts	4,911	1,579	-	6,490
Realized/unrealized net gain on investments, net of endowment payout	(23,693)	(9,296)	-	(32,989)
Net assets acquired from the Academy of Natural Sciences	66,514			66,514
Other non-operating expense	(8,598)	(1,139)	-	(9,737)
Change in net assets from non-operating activities	**39,134**	**(8,856)**	**-**	**30,278**
Change in net assets	**97,405**	**(3,234)**	**-**	**94,171**
Net assets at beginning of year	**648,500**	**203,662**	**-**	**852,162**
Net assets at end of year	**$ 745,905**	**$ 200,428**	**$ -**	**$ 946,333**

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

Drexel University
Schedule of Expenditures of Federal Awards and Schedule A
Year Ended June 30, 2013

Grantor / Program Title	CFDA Number	Subrecipient Expenditures	Total Expenditures
Research and Development:			
National Science Foundation:			
Direct Awards	47.R&D	$ 1,732,596	$ 14,248,714
ARRA Funding	47.082	1,070,033	4,653,340
Pass Through Funds	Schedule A	-	603,427
		2,802,629	19,505,481
Department of Defense:			
Direct Awards	12.R&D	1,378,994	8,000,418
Pass Through Funds	Schedule A	-	1,501,997
		1,378,994	9,502,415
Department of Health and Human Services:			
Direct Awards	93.R&D	8,713,112	29,691,118
ARRA Funding	93.701	-	44,468
Pass Through Funds - ARRA	Schedule A	-	178,647
Pass Through Funds	Schedule A	440,990	4,532,124
		9,154,102	34,446,357
National Aeronautics and Space Administration:			
Direct Awards	43.R&D	58,895	564,643
Pass Through Funds	Schedule A	-	105,937
		58,895	670,580
National Foundation for Arts and the Humanities:			
Direct Awards	45.R&D	46,788	348,510
		46,788	348,510
Environmental Protection Agency:			
Direct Awards	66.R&D	-	209,369
Pass Through Funds	Schedule A	20,319	492,333
		20,319	701,702
Department of Energy:			
Direct Awards	81.R&D	150,356	942,679
Pass Through Funds - ARRA	81.122	-	240,224
Pass Through Funds	Schedule A	(2,651)	1,335,846
		147,705	2,518,749
Department of Agriculture:			
Direct Awards	10.R&D	159,478	810,752
Pass Through Funds	Schedule A	-	51,579
		159,478	862,331
Department of Commerce:			
Direct Awards	11.R&D	73,746	177,509
Pass Through Funds	Schedule A	261,158	2,209,130
		334,904	2,386,639
Department of Transportation:			
Direct Awards	20.R&D	25,000	518,344
Pass Through Funds	Schedule A	-	(338)
		25,000	518,006
Department of Justice:			
Pass Through Funds - ARRA	Schedule A	58,107	185,598
Pass Through Funds	Schedule A	-	243,783
		58,107	429,381
HOMELAND SECURITY			
Direct Awards	97.R&D	8,411	372,523
Pass Through Funds	Schedule A	-	49,189
		8,411	421,712
Nuclear Regulatory Commission:			
Direct Awards	77.R&D	-	98,901
Department of Interior:			
Direct Awards	12.R&D	-	49,148
		-	49,148
Department of Education:			
Direct Awards	84.R&D	76,641	121,235
Pass Through Funds	Schedule A	-	107,237
		76,641	228,472
Department of Veterans Affairs:			
Direct Awards	61.R&D	-	1,004
Department of Housing and Urban Development			
Pass Through Funds	Schedule A		(5)
		-	(5)
Total Research and Development		14,271,973	72,689,383

See accompanying notes to this schedule

Drexel University
Schedule of Expenditures of Federal Awards and Schedule A
Year Ended June 30, 2013

Grantor / Program Title	CFDA Number	Subrecipient Expenditures	Total Expenditures
Student Financial Assistance:			
Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007		882,840
Federal Direct Student Loans	84.268		241,552,037
Federal Work-Study Program (Including ARRA Funds)	84.033		2,596,890
Federal Perkins Loan Program	84.038		24,476,716
Federal Pell Grant Program (Including ARRA Funds)	84.063		10,902,952
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		650
Loans for Disadvantaged Students	93.342		408,215
Primary Care Loans	93.342		4,552,494
Nursing Student Loans	93.364		36,546
Total Student Financial Assistance		-	285,409,340
Other Programs:			
Department of Education:			
Fund for the Improvement of Postsecondary Education	84.116	-	638
Graduate Assistance in Areas of National Need	84.200	-	640,051
Transition to Teaching Program - National	84.350	145,612	319,871
Pass Through Funds	Schedule A	-	75,848
		145,612	1,036,408
Department of Health & Human Services:			
Nurse Anesthetist Traineeships	93.124		16,561
HIV Demonstration Program for Children Adolescents	93.153		283,825
Mental Health National Research Service Awards	93.282		24,283
National Community Centers of Excellence in Women's Health (B)	93.290		228,488
Nurse Education, Practice and Retention Grants	93.359	93,801	307,110
Nurse Education, Practice Quality and Retention Grants	93.361		8,812
Nursing Research	93.398		59,438
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		84,882
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		23,612
Aging Research	93.866		42,754
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	42,470	926,766
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		1,066,965
Prevention and Public Health Fund (PPHF) Public Health Traineeships	93.964		48,675
IPA	IPA 792910		(735)
Pass Through Funds - ARRA	Schedule A		30,641
Pass Through Funds	Schedule A		6,474,788
		136,271	9,626,865
Department of Agriculture:			
Pass Through Funds	Schedule A	-	1,598,380
		-	1,598,380
Department of Defense:			
Basic and Applied Scientific Research	12.300	-	7,111
Military Medical Research and Development	12.431	-	130,199
ACIN P011 Contract	W15P7T-06-9-P001	1,696,702	1,747,624
DURIP: Laser Sources	W911NF-11-1-0375	-	64,895
Pass Through Funds	Schedule A	-	27,203
		1,696,702	1,977,032
Library of Congress			
Copyright Service	Schedule A	5,928	5,928
		5,928	5,928
National Aeronautics and Space Administration:			
Education	43.008	-	29,566
Pass Through Funds	Schedule A		10,502
		-	40,068
Department of Energy:			
Office of Science Financial Assistance Program	81.049	98,287	168,953
Nuclear Energy Research, Development and Demonstration	81.121	-	34,005
Pass Through Funds	Schedule A	-	4,338
		98,287	207,296
Department of Justice:			
Crime Victim Assistance/Discretionary Grants	16.582	120,156	277,827
Pass Through - ARRA	Schedule A	-	44,388
Pass Through Funds	Schedule A	-	16,200
		120,156	338,415
Department of Labor:			
Pass Through - ARRA	Schedule A	-	6,712
		-	6,712

See accompanying notes to this schedule

Drexel University
Schedule of Expenditures of Federal Awards and Schedule A
Year Ended June 30, 2013

Grantor / Program Title	CFDA Number	Subrecipient Expenditures	Total Expenditures
Environmental Protection Agency			
Pass Through Funds	Schedule A	-	1,600
US Department of Commerce:			
Coastal Zone Management Estuarine Research Reserves	11.420	-	17,343
Pass Through Funds	Schedule A	-	220,679
		-	238,022
National Foundation for Arts and the Humanities:			
National Leadership Grants	45.312	5,000	42,509
Laura Bush 21st Century Librarian Program	45.313	37,761	235,477
		42,761	277,986
Corporation for National and Community Service			
Learn and Serve America_Higher Education	94.005	229,248	241,027
Department of Homeland Security:			
(HS STEM) Career Development Program	97.104	61,233	69,566
		61,233	69,566
Department of State:			
Academic Exchange Programs - Undergraduate Programs	19.009	-	12,579
Pass Through Funds	Schedule A	-	270,042
		-	282,621
Total Other Programs		2,536,198	15,947,926
Total Federal Awards		$ 16,808,171	$374,046,649

See accompanying notes to this schedule

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
FOR THE YEAR ENDED June 30, 2013

Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
National Science Foundation - Research and Development Pass Through Funds:			
Research Foundation of CUNY	Engineering Grants	47.041	1,625
University of California, San Diego	Engineering Grants	47.041	116,152
University of Massachusetts	Engineering Grants	47.041	46,393
Virginia Polytechnic Institute	Engineering Grants	47.041	68,068
University of California, Davis	Mathematical and Physical Science	47.049	63,159
Illinois State Museum Society	Geosciences	47.050	2,472
Children's Hospital of Philadelphia	Computer and Information Science and Engineering	47.070	10,231
University of Florida Research Foundation, Inc	Computer and Information Science and Engineering	47.070	410
University of Pennsylvania	Computer and Information Science and Engineering	47.070	39,246
Indiana University	Social Behavioral and Economic Sciences	47.075	2,602
Bryn Mawr College	Education and Human Resources	47.076	4,301
Council of Graduate Schools	Education and Human Resources	47.076	23,812
Maryland Public Television	Education and Human Resources	47.076	30,035
University of Pennsylvania	Office of International and Integrative Activities	47.079	47,712
University of North Carolina	Office of Cyberinfrastructure	47.080	142,149
Zeomedix, Inc.	Controlled Topical Delivery	1013789	(11,870)
Vari Waves, LLC	Construction and Charecterization	1113508	16,930
			603,427
Department of Defense - Research and Development Pass Through Funds:			
Carnegie Mellon University	Basic and Applied Scientific Research	12.300	45,897
University of South Carolina	Basic and Applied Scientific Research	12.300	102,903
Virginia Polytechnic Institute	Basic Scientific Research	12.431	13,872
University of Delaware	Basic, Applied, and Advanced Research in Science and Engineering	12.630	166,034
Ohio State University	Air Force Defense Research Sciences Program	12.800	6,631
Temple University	Air Force Defense Research Sciences Program	12.800	27
University of Delaware	Air Force Defense Research Sciences Program	12.800	228,361
University of Southern California	Air Force Defense Research Sciences Program	12.800	98,120
SMI, Inc. (Structured Materials Industries, Inc)	Fabrication Technology for Oxide	41871-090810-03	76,820
Carnegie Mellon University	High Assurance Spiral	FA8750-12-2-0291	42,325
BBN Technologies	BBAC to Improve Domain Sharing	FA8750-12-C-0011/140	121,013
Applied Communication Services	Virtual Networks for Contents Sharing	FA8750-12-C-0248	49,295
ERC Incorporated	Study of In-Service Durability	FA9300-06-C-0023	34,344
Ventura Solutions, Inc.	HAWKSNEST	H98230-11-C-0781	89,045
Scitor Corporation	Face Reconstruction	HC1047-05-D-4005	27,570
Lockheed Martin Corporation	BLADE	HR0011-11-C-0033	23,365
Scientific Forming Technologies Corporation	Characterization of Thermo-Mechanic	N00014-09-C-0628	(20,379)
Lockheed Martin Corporation	Real-time Feature Detection	N00014-11-C-0120	2,666
Applied Communication Services	SISTO	N00014-12-C-0377	35,380
SMI, Inc. (Structured Materials Industries, Inc)	Innovative Approaches to the Devel	N68335-11-C-0040	630
X-Wave Innovations, Inc.	A Low-Cost Hybrid Acoustic-Ultrason	N68335-13-C-0046	24,000
Lockheed Martin Energy	Cognitive Antenna System	PO TT0719294	(320)
Techno Sciences, Inc.	Tsi-Navy Phase II: Smart Power Load	S390-12-DREXEL-01	59,182
New York State Department of Environmental Conservation	Development of Green Infrastructure	T008462	44,755
SOAR Technologies, Inc.	SOUSA Phase II Year 2	W15P7T-09-C-S301	41
SOAR Technologies, Inc.	Code Smart	W15P7T-11-C-A605	1,407
John Hopkins University	Spatially Informed Investigations	W81XWH-0700451	(706)
Zeomedix, Inc.	Phase 2: Controlled Release	W81XWH-11-C-0031	78,304
Engility	E-MIDDAS - Enhanced-Mobile Integration	W81XWH-11-C-0088	61,196
Albert Einstein College of Medicine of Yeshiva University	Enhanced Wound Healing using Topical	W81XWH-12-1-0379	49,955
Johns Hopkins University	Reverse Piezoelectric Behavior	W911NF-06-2-0006	11,977
American Energy Technologies Co	Industrial Manufacturing	W911SR-13-C-0011	8,270
Versar	2012 Oyster Food Supply Sampling	W912BU-12-C0020	20,017
			1,501,997

See accompanying notes to this schedule

DREXEL UNIVERSITY AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
FOR THE YEAR ENDED June 30, 2013

Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES - Research and Development Pass Through Funds:			
ARRA Funding:			
Children's Hospital of Philadelphia	Trans-NIH Recovery Act Research Support	93.701	2,113
Philadelphia Department of Human Services	ARRA Prevention and Wellness-Communities Putting Prevention to Work	93.724	1,506
Boston Children's Hospital	ARRA Accelerating Adoption of Comparative Effectiveness Research (CER)	93.726	142,884
DuPont	Biomedical Research and Research Training	93.859	32,145
			178,647
Other R&D Funding:			
Pennsylvania Department of Health	Public Heatlh Emergency Preparedness	93.069	388,280
Johns Hopkins University	Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	25,375
Commonwealth of Pennsylvania	Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	15,387
Johns Hopkins University	Biological Response to Environmental Health Hazards	93.113	18,205
Children's Reseach Institute	Emergency Medical Services for Children	93.127	16,137
Children's Hospital of Philadelphia	Injury Prevention and Control Research and State Grants	93.136	693
John Hopkins University	Injury Prevention and Control Research and State Grants	93.136	5,092
The Regents of the University of California	Human Genome Research	93.172	245,643
The Wistar Institute	Human Genome Research	93.172	30
University of Pennsylvania	Human Genome Research	93.172	14,000
Massachusetts Eye and Ear Infirmary	Research Related to Deafness and Communication Disorders	93.173	143,605
National Institutes of Health	Health Services Research and Development Grants	93.226	(30,246)
Oregon Research Institute	Mental Health Research Grants	93.242	145,843
Temple University	Mental Health Research Grants	93.242	212,339
University of California, San Diego	Mental Health Research Grants	93.242	86,076
University of Medicine & Dentistry of New Jersey	Mental Health Research Grants	93.242	(2)
University of New Hampshire	Mental Health Research Grants	93.242	1
Philadelphia Mental Health Care Corporation	Substance Abuse and Mental Health Services_Projects of Regional and National:	93.243	17,270
University of Medicine & Dentistry of New Jersey	Drug Abuse and Addiction Research Programs	93.279	63,069
University of Pennsylvania	Drug Abuse and Addiction Research Programs	93.279	455,766
Temple University	Mental Health National Research Service Awards for	93.282	141,527
Commonwealth of Pennsylvania	The Affordable Care Act: Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	69,904
Pennsylvania Department of Health	The Affordable Care Act: Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	(34)
Thomas Jefferson University	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	138,003
Oregon Law Project	Minority Health and Health Disparities Research	93.307	172,962
University of Michigan	Minority Health and Health Disparities Research	93.307	137,226
Emory University	Nursing Research	93.361	(36)
Philadelphia Corporation for Aging	Nursing Research	93.361	44,432
University of Pennsylvania	Nursing Research	93.361	19,630
Johns Hopkins University	Cancer Cause and Prevention Research	93.393	19,017
University of Pennsylvania	Cancer Cause and Prevention Research	93.393	11,278
East Virginia Medical School	Cancer Detection and Diagnosis Research	93.394	(124,638)
JBS Science, Inc.	Cancer Detection and Diagnosis Research	93.394	116,390
Medical University of South Carolina	Cancer Detection and Diagnosis Research	93.394	85,000
National Childhood Cancer Foundation	Cancer Treatment Research	93.395	19,613
Thomas Jefferson University	Cardiovascular Diseases Research	93.837	10,833
University of Michigan	Cardiovascular Diseases Research	93.837	74,575
University of Rochester	Cardiovascular Diseases Research	93.837	57,248
University of Connecticut	Lung Diseases Research	93.838	4,952
Thomas Jefferson University	Blood Diseases and Resources Research	93.839	3,412
Baylor College of Medicine	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	63,663
Burke Rehabilitation Institute	Clinical Research Related to Neurological Disorders	93.853	73,523
Temple University	Clinical Research Related to Neurological Disorders	93.853	920
University of Illinois	Clinical Research Related to Neurological Disorders	93.853	41,676
University of Pennsylvania	Clinical Research Related to Neurological Disorders	93.853	60,472
University of Vermont	Clinical Research Related to Neurological Disorders	93.853	94,760
Brigham and Women's Hospital	Allergy Immunology and Transplantation Research	93.855	32,153
DMX Inc.	Allergy Immunology and Transplantation Research	93.855	(23,064)
Enantigen Therapeutics, Inc.	Allergy Immunology and Transplantation Research	93.855	107,526
Oregon Health and Science University	Allergy Immunology and Transplantation Research	93.855	96,941
The Wistar Institute	Allergy Immunology and Transplantation Research	93.855	415
University of California, San Francisco	Allergy Immunology and Transplantation Research	93.855	402
University of Pennsylvania	Allergy Immunology and Transplantation Research	93.855	(42,261)
Delaware State University	Pharmacology Physiology and Biological Chemistry	93.859	10,504
The Wistar Institute	Pharmacology Physiology and Biological Chemistry	93.859	1,250
Batelle	Child Health and Human Development Extramural Research	93.865	8,832
Columbia University	Child Health and Human Development Extramural Research	93.865	(7,351)
Harvard School of Public Health	Child Health and Human Development Extramural Research	93.865	35,856
Loyola University, Chicago	Child Health and Human Development Extramural Research	93.865	27,830
Temple University	Child Health and Human Development Extramural Research	93.865	19,265
Trustees of Boston University	Child Health and Human Development Extramural Research	93.865	10,881
Albert Einstein College of Medicine of Yeshiva University	Aging Research	93.866	26,241
Children's Hospital of Philadelphia	Aging Research	93.866	(1,399)
DMX Inc.	Aging Research	93.866	2,304

See accompanying notes to this schedule

DREXEL UNIVERSITY AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
FOR THE YEAR ENDED June 30, 2013

Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
Regenerative Research Foundation	Aging Research	93.866	46,706
Trustees of Boston University	Aging Research	93.866	192,327
Children's Reseach Institute	Medical Library Assistance	93.879	71,310
Family Planning Council	HIV Emergency Relief Project Grants	93.914	13,757
University of Pennsylvania	Center for Medical Rehabilitation Research	93.929	(34)
Oregon Health and Science University	International Research and Research Training	93.989	34,445
Pennsylvania Department of Health	Preventive Health and Health Services Block Grant	93.991	394
Temple University	of Platelets	131RG1423008	5,247
Kaiser Permanente	Update of Community Guide Reviews	200-2012-53786	28,913
American Academy of Pediatrics	Medical Home Initiative	Agreement DTD 11/1/2012	11,250
John Snow Incorporated	Philadelphia Ujima Heart Attack Symptoms	Agreement DTD 11/9/2011	5,487
Polymedix, Inc.	Nonpeptidic Mimics of Antimicrobial	Agreement DTD 7/5/2011	4,066
Materials Resources Inc	Integfrated Micostucture	FA9550-10- C-0082	1,484
John Hopkins University	HIV Research Network	HHSA290200600025C	(25,429)
John Hopkins University	HIV Research Network	HHSA290201100007C	145,513
Argos Therapeutics	HIV Vaccine Design and Development	HHSN266200600019C	99,155
Argos Therapeutics	HVDDT	HHSN2662006600019C	75
Johns Hopkins University	Development and Validation	HHSN267200700048C	174,117
The Lewin Group	Study of Health Outcomes in Children	HHSN-271-2010-00033-C	73,733
University of Pennsylvania	Improved DNA Vaccines	HHSN272220080063C	1,501
Johns Hopkins University	Development and Validation of Autism	HHSN2752008000033C	178,440
COMHAR	FASD-Screening Diagnosis and Treatment	HHSS 283200700030I/2	110
Affirma Solutions, Inc.	NNHVIP/NNED Project	HHSS283200800002C	3
University of Texas, Southwestern	Pediatric Hydroxyurea Phase III Cli	N01-HB-07159	3,842
Aids Activities Coordinating Office	Protect and Respect/HERR/HIV +S2475	S2475	515
			4,532,124
National Aeronautics and Space Administration - Research and Development Pass Through Funds:			
Jet Propulsion Laboratory (NASA)	Aerospace Education Services Program	43.001	7,977
Penn State University	Aerospace Education Services Program	43.001	(47)
Smithsonian Astrophysical Observatory	Aerospace Education Services Program	43.001	24,548
Techno Sciences, Inc.	Aerospace Education Services Program	43.001	1
CFD Research Corporation	Computational Model for Electrode	FA9550-12-C-0045	30,026
Space Telescope Science Institute	Dynamical Evolution of Young Clusters	HST-AR-11780.01-A	184
Space Telescope Science Institute	A SNAP Survey for Gravitatitonal	HST-GO-12184.05-A	15,438
American Aerospace Advisors, Inc.	Integrated Vibration and Acceleration	NNX12CG26P	27,810
			105,937
Enviromental Protection Agency - Research and Development Pass Through Funds:			
Montana Department of Environmental Quality	Water Pollution Control State, Interstate, and Tribal Program Support	66.419	18,675
Rutgers University	National Estuary Program	66.456	2,533
Barnegat Bay National Estuary Program	Nonpoint Source Implementation Grants	66.460	71,476
Barnegat Bay National Estuary Program	Regional Wetland Program Development Grants	66.461	22,796
Delaware River Basin Commission	Regional Wetland Program Development Grants	66.461	77
Partnership for the Delaware Estuary	Regional Wetland Program Development Grants	66.461	56,216
State of Maine, Department of Environmental Protection	Regional Wetland Program Development Grants	66.461	3,821
Michigan State University	Science To Achieve Results (STAR) Research Program	66.509	207,205
New Jersey Sea Grant Consortium	Performance Partnership Grants	66.605	10,324
City Parks Foundation	Green Innovation Grant-Bronx NY	AWARD LTR DTD 08/13/12	57,171
Great Lakes Environmental Center	GLEC EPA FISH QA 10	EP-C-06-033	18,421
Partnership for the Delaware Estuary	Bivalves as Biosentineis	PDE 212-01	23,619
			492,333
Department of Energy - Research and Development Pass Through Funds:			
ARRA Funding:			
PECO	Smart Future Greater Philadelphia	81.122	240,224
Kent State University	Office of Science Financial Assistance Program	81.049	14,738
Oak Ridge National Laboratory/Dept of Energy	Office of Science Financial Assistance Program	81.049	150,045
University of Utah	Office of Science Financial Assistance Program	81.049	110,541
Penn State University	Conservation Research and Development	81.086	374,561
University of Michigan	Fission Product Transport in TRISO	00103195	57,846
The Regents of the University of California	Development of Electrode Architectu	1111359	86,424
Sandia National Laboratories	Drexel University-Sandia National L	1188070	6,832
Lawrence Berkeley National Labs	New Layered Nanolaminates for use i	DE-AC02-05CH11231	237,197
Oak Ridge Institute for Science and Education	Vaccination Mandates for Healthcare	DE-AC05-06OR23100	20,648
Battelle Energy Alliance, LLC	On the Response of the MAX Phases t	DE-AC07-05ID14517	60,405
Research Partnership to Secure Energy for America	Development of Plasma Technology fo	DE-AC26-07NT42677	58,260
SMI, Inc. (Structured Materials Industries, Inc)	High-Current Low-Cost Efficient Pow	DE-FG02-13ER90633	460
General Electric	Housatonic 2012	PO # 111168426	157,889
			1,335,846
Department of Agriculture - Research and Development Pass Through Funds:			
Ceramatec	Biomass Research and Development Initiative Competitive Grants Program (BRDI)	10.312	2,530
University of Kentucky Research Foundation	Childhood Stress	AG-3198-B-10-0028	49,049
			51,579
Department of Commerce - Research and Development Pass Through Funds:			
Philadelphia University	ITA Special Projects	11.113	18,147
Penn State University	Sea Grant Support	11.417	919
Partnership for the Delaware Estuary	Coastal Zone Management Administration Awards	11.419	3,762
Partnership for the Delaware Estuary	Coastal Zone Management Estuarine Research Reserves	11.420	681
Columbia University	Climate and Atmospheric Research	11.431	92,790
Urban Affairs Coalition	Public Safety Interoperable Communications Grant Program	11.555	2,065,268
New Jersey Sea Grant Consortium	Influence of Estuary Geomorphology	NA10OAR4170075	27,563
			2,209,130
Department of Transportation - Research and Development Pass Through Funds:			
Rutgers University	LongTerm Bridge Performance	DTFH61-08-C-00005	(338)

See accompanying notes to this schedule

DREXEL UNIVERSITY AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
FOR THE YEAR ENDED June 30, 2013

Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
Department of Justice - Research and Development Pass Through Funds:			
ARRA Funding:			
Pennsylvania Commission on Crime and Delinquency	Edward Byrne Memorial Justice Assistance Grant Program	16.738	185,598
Drakontis, LLC	Economic High-Tech and Cyber Crime Prevention	16.752	182,835
Drakontis, LLC	Real Crime in Virtual Worlds	2009-D2-BX-K005	60,948
			243,783
Homeland Security - Research and Development Pass Through Funds:			
International Association of Fire Chiefs, Inc.	Assistance to Firefighters Grant	97.044	49,189
Department of Education - Research and Development Pass Through Funds:			
University of Texas at El Paso	Higher Education_Institutional Aid	84.031	33,089
San Diego State University	Fund for the Improvement of Postsecondary Education	84.116	19,782
University of Kentucky Research Foundation	Research in Special Education	84.324	52,716
Nova Research Company	Economic Analysis	ED-08-DO-0057	1,650
			107,237
Department of Hosing and Urban Development - Research and Development Pass Through Funds:			
New York Academy of Medicine	Asthma Interventions in Public and Assisted Multifamily Housing	14.914	(5)
Department of Education - Other Program Pass Through Funds:			
The College Crusade of Rhode Island	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	88,007
PA Department of Education	Learning Mathematics	84.367	(12,159)
			75,848
Department of Health & Human Services - Other Program Pass Through Funds:			
ARRA Funding:			
Thomas Jefferson University	Trans-NIH Recovery Act Research Support	93.701	18,370
Duke University	Trans-NIH Recovery Act Research Support	93.701	12,927
Massachusetts General Hospital	Trans-NIH Recovery Act Research Support	93.701	(656)
			30,641
Other Funding:			
American Academy of Pediatrics	Maternal and Child Health Federal Consolidated Programs	93.110	1,689
Health Federation of Philadelphia	National AIDS Education and Training Centers	93.145	20,083
Family Planning Council	HIV Demonstration Program for Children Adolescents and	93.153	8,238
Family Planning Council	Family Planning Services	93.217	99,878
Resources for Human Development, Inc.	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	(9,498)
Aids Activities Coordinating Office	Substance Abuse and Mental Health Services_Projects of Regional and National:	93.243	537,956
University of Pittsburgh	Public Health Training Centers Program	93.249	220,276
ImCare Biotech, LLC	Cancer Detection and Diagnosis Research	93.394	11,281
Children's Hospital of Philadelphia	Cancer Treatment Research	93.395	44,142
Frontier Science & Technology Research Foundation	Cancer Control	93.399	21,632
Aids Activities Coordinating Office	The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	74,261
Boston Children's Hospital	Cardiovascular Diseases Research	93.837	800
University of Soth Florida	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	(1,500)
Massachusetts General Hospital	Clinical Research Related to Neurological Disorders	93.853	1,470
Temple University	Clinical Research Related to Neurological Disorders	93.853	(1,308)
Brigham and Women's Hospital	Allergy Immunology and Transplantation Research	93.855	2,050
Children's Hospital of Philadelphia	Allergy Immunology and Transplantation Research	93.855	(18)
Rush University Medical Center	Allergy Immunology and Transplantation Research	93.855	(9)
Social and Scientific, Inc	Allergy Immunology and Transplantation Research	93.855	(2,690)
Columbia University	Child Health and Human Development Extramural Research	93.865	340,564
Harvard School of Public Health	Child Health and Human Development Extramural Research	93.865	300,306
University of New Mexico	Child Health and Human Development Extramural Research	93.865	80,007
Aids Activities Coordinating Office	HIV Emergency Relief Project Grants	93.914	1,625,435
Family Planning Council	HIV Emergency Relief Project Grants	93.914	20,734
Aids Activities Coordinating Office	HIV Care Formula Grants	93.917	124,938
Jewish Healthcare Foundation	HIV Care Formula Grants	93.917	22,905
Aids Activities Coordinating Office	HIV Prevention Activities Health Department Based	93.940	247,748
Pennsylvania Department of Health	Human Immunodeficiency Virus (HIV)/Acquired	93.944	56,735
City of Philadelphia	Block Grants for Prevention and Treatment of Substance	93.959	(2,407)
American Academy of Pediatrics	Maternal and Child Health Services Block Grant to the	93.994	74,741
Children's Hospital of Philadelphia	Maternal and Child Health Services Block Grant to the	93.994	209,741
Pennsylvania Department of Health	Maternal and Child Health Services Block Grant to the	93.994	617,213
Family Planning Council	FY08 Walk-In Pregnancy Testing	080202	(1,582)
Family Planning Council	Colposcopy FY10	100201	4,215
Family Planning Council	The Family Planning Council Grant	110201	537,791
Family Planning Council	Family Planning - Circle of Care	122407	29,922
Family Planning Council	FY13 Drexel Women's Care	130201	143,978
Family Planning Council	Family Planning Main Cap FY13	132401	144,368
Family Planning Council	FR13 School Based Health Resource	132405.000	28,185
Family Planning Council	FY13 School Base Health Resource	132407.000	26,650
Family Planning Council	HIV-CTRS Expansion in Family Planning	142402	38,311
Family Planning Council	Expanding Reproduction	146302	28,211
City of Philadelphia	Smoke-Free Housing Evaluation	1220512	102,309
Commonwealth of Pennsylvania	WiseWoman - Eval	4000015984	85,682
John Snow Incorporated	National Women and Girls HIV/AIDS	AGREEMENT DTD 11/10/2011	758
Association of State and Territorial Health Officials	Vaccine Plan Stakeholders Mtg	Agreement DTD 12/16/11	5,474
DS Federal	Challenges in Vaccine Development	Agreement DTD 12/16/11	5,475
The National Nursing Centers Consortium	Nurse Family Partnership	Agreement DTD 7/1/2012	309,732
Urban Strategies	Faith-based Organizing: Community	HHSM-500-2010-00054C	7,658
JBS International	NIDA Center of Excellence	HHSN241200900021C	13,579
JBS International	Centers of Excellence for Physician	HHSN2682004740252	600
University of Michigan	REVIVE-IT VAD Intervention	HHSN268201100026C	28,899
JBS International	NIDA Centers of Excellence	HHSN271200900021C	26,444
Susan B. Spencer, Inc.	Curricula for Domestic Violence	HHSP233200601006P	(7,861)
Susan B. Spencer, Inc.	Evaluation of HIV training curricula	HHSP233201100699P	32,913
JBS International	Health Navigators as Home Visitors	HSP23320095638	6,524
New England Research Institute	TOPCAT	N01-HC-45207 TOPCAT	164
Aids Activities Coordinating Office	Protect and Respect HERR/HIV+FY13	S3475	80,042
Engineering Acoustics, Inc.	Development of a Fieldable Brain	W911NF-C-0057	48,955
			6,474,788
Department of Agriculture - Other Program Pass Through Funds			
Penn State University	Supplemental Nutrition Assistance Program, Outreach/Participation Program	10.580	1,598,380
Department of Defense - Other Program Pass Through Funds			
CH2M Hill	2012 Anacostia Consulting	N62470-08-D-1000	8,555
McKean Defense Group LLC	Greater Philadelphia STEM Center Su	PO#12DE53EHP1	18,648
			27,203

See accompanying notes to this schedule

DREXEL UNIVERSITY AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
FOR THE YEAR ENDED June 30, 2013

Grantor / Pass-Through Grantor	Program Title	CFDA Number	Federal Expenditures
Library of Congress - Other Program Pass Through Funds:			
Institute of International Education	Copyright Service	42.002	5,928
National Aeronautics and Space Administration - Other Program Pass Through Funds:			
National Institute of Aerospace	2013 NASA RASC-AL	Agreement DTD 3/1/13	10,502
Department of Energy - Other Program Pass Through Funds:			
PPL Electric Utilities Corp	Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	4,338
Department of Justice - Other Program Pass Through Funds:			
ARRA Funding:			
Pennsylvania Commission on Crime and Delinquency	Recovery Act - Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	44,388
Other Funding:			
Mount Vernon Manor	A Place-Based, Planning Approach to Public Safety and Community Development in Mantua	2012-AJ-BX-0003	16,200
Department of Labor - Other Program Pass Through Funds:			
ARRA Funding:			
Merrimack Valley Workforce	WIA Dislocated Workers	17.260	6,712
Environmental Protection Agency - Other Program Pass Through Funds:			
Partnership for the Delaware Estuary	Office of Research and Development Consolidated Research/Training/Fellowships	66.511	1,600
Department of Commerce - Other Program Pass Through Funds:			
Rutgers University	Technology Innovation Program	11.616	220,679
Department of State (USIA) - Other Program Pass Through Funds:			
Institute of International Education	Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	270,042
		Total	$ 20,623,957

(concluded)

See accompanying notes to this schedule

Drexel University
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Drexel University and Subsidiaries (the "University") under programs of the federal government for the year ended June 30, 2013. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the consolidated financial position, revenues, expenses, and changes in net assets of the University.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies or departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

Federally guaranteed loans issued to students of the University by various financial institutions and campus-based loan programs, disclosed in Note 3, are also included in the Schedule.

2) Basis of Accounting

The Schedule is presented using the accrual basis of accounting.

3) Federal Student Loan Programs

Federally guaranteed loans (including subsidized and nonsubsidized loans) issued to students of the University by various financial institutions during the year ended June 30, 2013, are summarized below:

Program	CFDA	
Parent PLUS Direct Loan	84.268	$ 38,143,601
Graduate PLUS Direct Loan	84.268	33,262,895
Subsidized Direct Loan	84.268	33,682,755
Unsubsidized Direct Loan	84.268	136,462,786
Total		**$ 241,552,037**

The University is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs; therefore, the net assets and transactions for those programs are not included in the University's consolidated financial statements. The University administers and accounts for all aspects of certain loan programs made directly to students. Therefore, the University's consolidated financial statements include these programs' balances and transactions. Loans made to students during the year ended June 30, 2013, are summarized below:

	CFDA No.	
Federal Perkins Loan Program	84.038	$ 7,033,315
Loans for Disadvantaged Students	93.342	-
Primary Care Loans	93.342	-
Nursing Student Loan	93.364	22,216
		$ 7,055,531

Loan balances for these programs at June 30, 2013 are summarized below:

Federal Perkins Loan Program	84.038	$ 24,476,716
Primary Care Loans	93.342	4,552,494
Loans for Disadvantaged Students	93.342	408,215
Nursing Student Loan	93.364	36,546
		$ 29,473,971

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Drexel University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Drexel University and its subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, 2013-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's Response to Findings

The University's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
December 3, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Drexel University

Report on Compliance for Each Major Federal Program

We have audited Drexel University's (the "University") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the University's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and loan payments specified by the Federal Perkins Loan Program and described in the OMB *Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, based on our audit and the report of other auditors, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 through 2013-008. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, except as noted in the following paragraph, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

We did not consider internal control over compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and loan payments specified by the Federal Perkins Loan Program and described in the OMB *Circular A-133 Compliance Supplement*. Internal control over these compliance requirements was considered by the other auditors referred to above, and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon the report of the other auditors.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration and the other auditors' consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. Also, the report of the other auditors did not identify any deficiencies in internal control over compliance that they consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
March 31, 2014

Drexel University
Schedule of Audit Findings and Questioned Costs
For the year ended June 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	__X___ yes	____ none noted
• Non-compliance material to financial statements noted?	______ yes	__X__ no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	__ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	__ yes	__X__ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_X _ yes	____ no

Identification of major programs CFDA Number(s):	Name of Federal Program or Cluster	
Various	Student Financial Aid Cluster	
Various	Research & Development Cluster	
Dollar threshold used to distinguish between type A and type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	__X__ yes	______ no

Section II – Financial Statement Findings

2013-001: Unusual Transactions

Observation / Impact

Drexel University routinely enters into agreements with complex accounting implications that have significant impacts to the financial statements in future years. Some require the involvement of specialists to determine the appropriate valuations to utilize in the accounting.

During the audit, the engagement team identified a number of transactions that did not have documented assessments of the key terms of the transactions and the relevant accounting considerations and conclusions. This created difficulties in evaluating the appropriateness of ongoing accounting and in some instances adjustments related to past and current financial statements were identified due to lack of review of ongoing applicable requirements. Examples included complex contribution arrangements, intercompany transactions, and real estate transactions.

Recommendation

The University should create a process to ensure evaluation and documentation of all significant, unusual or complex transactions. Additionally, management should have a formal procedure for evaluating and documenting the review of these transactions on an ongoing basis. For unusual transactions that require the use of a specialist, such as a real estate appraiser, use of that specialist should take place on a timely basis.

Management's Response

Management agrees with the recommendation proposed by PwC that a process to ensure the evaluation and documentation of all significant, unusual and complex transactions is necessary and needs to also incorporate appropriate document retention practices as well. Management further agrees that the use of a specialist must take place on a timely basis. The Office of the Comptroller will be working with Institutional Advancement, the Office of General Counsel, the University Leasing Office and Academic Properties, Inc. to address effective review of unusual transactions and the use of specialists.

Section III – Federal Award Findings and Questioned Costs

Part A- Auditor Findings

2013-002: ALLOWABLE COSTS/COST PRINCIPLES - COST TRANSFERS

Federal Agency:	Various
Program:	All Research and Development Cluster Awards
CFDA #:	Various
Award #:	Various
Award year:	Various
Pass-through:	Various

Criteria

OMB Circular A-21 C.4 establishes that any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other funding considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience. Appropriate controls should be in place to prevent frequent, tardy, and unexplained (or inadequately explained) transfers.

Drexel University Cost Transfer Policy which states that errors in the allocation of costs to sponsored agreements should be identified, corrected, and documented in a timely and consistent manner (within 120 days from the initial charge)

Condition

PwC selected a sample of 60 cost transfers. These transfers included journal entries to remove and record transactions to federal awards. We noted the following with regards to the sample selected for testing:

- 26 of 60 samples selected for testing were cost transfers where items needing correction were processed in excess of 120 days from the initial charge.
- 18 of 60 samples selected for testing did not have an underlying invoice to support the allowability of the transfer

Questioned Costs

We are unable to determine if there are any questioned costs associated with this finding as we were unable to obtain invoices for 18 of 60 transfers in support of allowability.

Cause

The University's policy was not always dilligently executed.

Effect
Costs requiring correction are not detected and/or transferred in a timely manner as required by the federal regulations and Drexel University's policy. This may ultimately result in inaccurate and/or out of period reporting and billing to the federal sponsoring agency.

Recommendation
We recommend the University enhance its efforts to educate the research community on its cost transfer policy, with a specific emphasis on the timely detection and processing of necessary cost transfers. Ongoing and targeted training should include departments which generate frequent cost transfers.

Views of responsible officials and planned corrective actions

While there are no instances where the cost transfers reviewed by the auditors strayed from A21 guidelines for allowability, or the University’s written policy, management agrees that the timeliness of such transfers could improve. Management has improved the language surrounding cost transfers in a policy that is awaiting board approval. In addition, the Office of Research will revisit its training available to researchers and appropriate departmental personnel in order to improve timeliness of cost transfer requests. With regard to the unavailability of the 18 receipts, it is University policy that credit card receipts be maintained in the individual University departments. Management will examine and revise the required documentation for a cost transfer as appropriate.

2013-003: STUDENT FINANCIAL AID SPECIAL TESTS AND PROVISIONS - STUDENT STATUS CHANGES (FEDERAL DIRECT LOANS)

Federal Agency:	**Department of Education**
Program:	**Federal Direct Loans**
CFDA #	**84.268**
Award #:	**Various**
Award year:	**July 1, 2012 through June 30, 2013**
Pass-through:	**None**

Criteria

Federal Direct Loan, 34 CFR section 685.309 set forth standards regarding the institution's timely reporting of student status changes.

Condition

During our testing of compliance with special tests and provisions over student status changes for the Federal Direct Student Loan Programs, we noted the following:

- 22 of 60 students status changes communicated to the National Student Loan Data System (NSLDS) exceeded the required 60 day timeframe

Questioned Costs

There are no questioned costs associated with this finding.

Cause

The University does not have a formal process to ensure changes to students' status are captured and reported to the NSLDS in a timely manner. Additionally, there is an absence of monitoring procedures over the service provider to ensure student status changes submitted to the service provider are reported by the servicer to the Department of Education within the timeframe required by federal regulations.

Effect

The absence of formal procedures to track and report student status changes along with the absence of monitoring over the service provider can lead to untimely reporting of changes in student statuses and ultimately non-compliance with federal regulations.

Recommendation

We recommend develop formal policies and procedures to ensure student status changes are captured and reported to the NSLDS within the required timeframe. Also, as submissions are made to the third party service provider, management should confirm directly with the third party provider that statuses were reported to the NSLDS within the required timeframe.

Views of responsible officials and planned corrective actions

We agree with the recommendation. Our first step in creating policies and procedures is meeting with our vendor the Clearinghouse to confirm schedules and Drexel University set up and use of available reporting tools. The Financial Aid office will collaborate with the University Registrar's office to establish these policies and procedures. The current practice of applying a retro-active effective date has contributed to this finding. We have recently implemented a new policy in regards to identifying an effective date for withdrawal that does not allow for a retro-active effective date. The results of this new policy will be evident in the next academic year.

The third party provider, The Clearinghouse, has available reports that can be utilized to assist in the monitoring and confirmation of these changes in the appropriate time frame. Drexel will be working with both the Clearinghouse and NSLDS to obtain and review these reports.

2013-004: STUDENT FINANCIAL AID SPECIAL TESTS AND PROVISIONS - RETURN OF TITLE IV FUNDS

Federal Agency:	**Department of Education**
Program:	**Student Financial Aid Cluster**
CFDA #	**Various**
Award #:	**Various**
Award year:	**July 1, 2012 through June 30, 2013**
Pass-through:	**None**

Criteria
34 CFR section 668.22 and 668.133 which sets forth standards regarding the institution's timely return of Title IV assistance.

Condition
During our testing of compliance with special tests and provisions regarding timely return of Title IV assistance, we noted Title IV assistance for 7 of 40 students of our sample selected for testing was not returned within 45 days as required by the regulations noted in the criteria above.

Questioned Costs
There are no questioned costs associated with this finding.

Cause
Management does not have formal policies and procedures in place to ensure Title IV refunds are identified and returned within a timely manner.

Effect
The Title IV funds were not returned within 45 days as required by the federal regulations.

Recommendation
We recommend the University develop formal policies and procedures to identify Title IV funds which require refunds. Upon identification of such funds, management should ensure the refund is made within 45 days.

Views of responsible officials and planned corrective actions

We agree with this recommendation and already have a process in place which has been applied to the 13/14 academic year records that require a Title IV adjustment. Drexel has revised the current reports and R2T4 calculations to reflect the correct process as provided by the Department of Education. These adjustments are currently being assessed within a 14 day period which meets the 45 day requirement.

2013-005: STUDENT FINANCIAL AID SPECIAL TESTS AND PROVISIONS - VERIFICATION

Federal Agency:	**Department of Education**
Program:	**Student Financial Aid Cluster**
CFDA #	**Various**
Award #:	**Various**
Award year:	**July 1, 2012 through June 30, 2013**
Pass-through:	**None**

Criteria
34 CFR sections 668.51 through 668.61 which sets forth standards for verifying financial aid applicant information.

Condition
During our testing of compliance with special tests and provisions, specifically with regards to verification of key information submitted by financial aid applicants, we noted incorrect information was captured in the student financial aid system for 2 of 25 students of our sample selected for testing.

Questioned Costs
There are no questioned costs associated with this finding.

Cause
Exceptions noted above appear to be instances of human error where the party responsible for comparing underlying supporting documentation to the verification worksheet/financial aid system did not notice a mismatch in information.

Effect
Students could be awarded amounts in excess of what is allowed by federal regulations.

Recommendation
We recommend the University enhance its existing procedures for verifying student information. This can be accomplished by having a primary and secondary reviewer of student verification worksheets.

Views of responsible officials and planned corrective actions

We agree with the recommendation. Drexel University is a Quality Assurance School which means that the selection of those meeting the verification requirements must be done by the institution and then reported to the Department of Education at the end of each quarter. In past years, the selection criteria did not meet the targeted group which the Department of Education has recommended. For the 14/15 academic year Drexel has identified a different population to select for verification and will be applying this new selection criteria and practice. The verification worksheets will be revised to reflect this new practice and population as well as a putting in place a systematic review that can be verified utilizing the Banner software. The intention is to put all new practices in place for the 14/15 Academic year.

2013-006: PERIOD OF AVAILABILITY

Federal Agency:	**Various**
Program:	**Research and Development Cluster**
CFDA #	**Various**
Award #:	**Various**
Award year:	**2013**

Criteria
2 CFR section 215.28 states that where a funding period is specified, a recipient may charge to the grant allowable costs incurred during the funding period.

Condition
During our testing of 8 awards that concluded during the fiscal year, we tested charges posted to the award subsequent to the completion of the award period of $176,000 and noted 3 charges totaling $2,356 for which supporting documentation could not be provided supporting the allowability of the charge based on the award period.

Questioned Costs
We are unable to determine if reimbursement was received for the above amounts or if corrections were made subsequently.

Cause
The exceptions appear to be the result of human error in ensuring charges are not made to awards after the period of availability.

Effect
Awards may have been overcharged.

Recommendation
We recommend the University review the processes for reviewing and approving charges to awards after the conclusion of the award period.

Views of responsible officials and planned corrective actions

Management is aware that charges were applied to these awards after the period of availability had ended and the charges were subsequently reversed. Management will review oversight controls regarding these charges.

2013-007: SERVICE CENTERS

Federal Agency: **Various**

Program: **Research and Development Cluster**

CFDA # **Various**

Award #: **Various**

Award year: **2013**

Criteria

A-21 states that costs of institutional services are allowable if charged directly to users on the basis of actual usage and if not more than the aggregate cost of the services over a long period of time are recovered.

Condition

For one of five service centers selected for testing we were unable to obtain documentation to support that rates charged to federal awards were consistent with rates charged to other users and based on actual usage. For 14 awards selected for testing within R&D, total service center charges were $70,000, and the related charges for the one service center noted above were $27,000.

Questioned Costs

We were unable to confirm the allowability of the amounts charged as rates for the service center noted above were not provided.

Cause

Management did not maintain contemporaneous documentation supporting the methodology for determining rates charged to federal awards for one service center.

Effect

The charges to the awards for this service center could not be confirmed as allowable and reasonable.

Recommendation

We recommend the University review its process for documenting determination of rates and ensuring documented evidence of that process is readily available.

Views of responsible officials and planned corrective actions

The service center in question, the printing room, charges the actual cost of a project to the fund. The service center representative did supply the breakdown of the costs that made up the sampled charge, but did not supply the underlying invoice detail. The Office of Research will work with the service center to ensure that rates being charged are uniform. Management also recommends that the service center publish these rates on the website.

2013-008: REPORTING:

Federal Agency: **Various**

Program: **Research and Development Cluster**

CFDA # **Various**

Award #: **Various**

Award year: **2013**

Condition
During testing over subrecipient monitoring, we selected 12 subrecipients to test the University's compliance with the Federal Funding and Transparency Act (FFATA). The engagement team reviewed the submitted FFATA reports for the 12 subrecipients and noted that 2 of the reports were submitted late (one report was submitted approximately 2 years late and the other report was submitted approximately 2.5 years later). In addition, the FFATA reports for 3 of our selections were not available on the FFATA reporting website which would indicate that it was not submitted.

Criteria
Per the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) website:

Prime Contractors awarded a Federal contract or order that is subject to Federal Acquisition Regulation clause 52.204-10 (Reporting Executive Compensation and First-Tier Subcontract Awards) are required to file a FFATA subaward report by the end of the month following the month in which the prime contractor awards any subcontract greater than $25,000. This reporting requirement will be phased-in (see below):

- **Phase 1:** Reporting subcontracts under federally-awarded contracts and orders valued greater than or equal to $20,000,000, reporting starts now.
- **Phase 2:** Reporting subcontracts under federally-awarded contracts and orders valued greater than or equal to $550,000, reporting starts October 1, 2010.
- **Phase 3:** Reporting subcontracts under federally-awarded contracts and orders valued greater than or equal to $25,000, reporting starts March 1, 2011.

Cause
Due to human error, the FFATA reports were either not submitted or were not submitted timely.

Effect
The University did not comply with FFATA reporting and therefore, information regarding their subawards was not made available to the public to view how Federal funds are being spent.

Recommendation
The University should ensure a process is followed for identifying the various reporting requirements for their federal grants, including information that will be distributed to the public to show the entities receiving federal funds and how federal funds are being spent.

Views of responsible officials and planned corrective actions

Management is knowledgeable of the reporting requirements stated in Federal Acquisition Regulation clause 52.204-10 (Reporting Executive Compensation and First-Tier Subcontract Awards). Management will automate the FFATA reporting process so that this reporting is done in a timely fashion. Management will also work with federal sponsors regarding the FSRS system to ensure that all reporting requirements are completed in a timely fashion.

Drexel University
Schedule of Status of Prior Year Findings
For the year ended June 30, 2013

There were no matters reported.

Drexel UNIVERSITY

Office of Research Administration

Management Response to A-133 Audit Findings

March 31, 2014

Response to Finding 2013-002:

While there are no instances where the cost transfers reviewed by the auditors strayed from A21 guidelines for allow ability, or the University's written policy, management agrees that the timeliness of such transfers could improve. Management has improved the language surrounding cost transfers in a policy that is awaiting board approval. In addition, the Office of Research will revisit its training available to researchers and appropriate departmental personnel in order to improve timeliness of cost transfer requests. With regard to the unavailability of the 18 receipts, it is University policy that credit card receipts be maintained in the individual University departments. Management will examine and revise the required documentation for a cost transfer as appropriate.

Response to Finding 2013-003:

We agree with the recommendation. Our first step in creating policies and procedures is meeting with our vendor , The Clearinghouse, to confirm schedules and Drexel University's set up and use of available reporting tools. The Financial Aid office will collaborate with the University Registrar's office to establish these policies and procedures. The current practice of applying a retro-active effective date has contributed to this finding. We have recently implemented a new policy in regards to identifying an effective date for withdrawal that does not allow for a retro-active effective date. The results of this new policy will be evident in the next academic year.

The third party provider, The Clearinghouse, has available reports that can be utilized to assist in the monitoring and confirmation of these changes in the appropriate time frame. Drexel will be working with both the Clearinghouse and NSLDS to obtain and review these reports.

Response to Finding 2013-004:

We agree with this recommendation and already have a process in place which has been applied to the 13/14 academic year records that require a Title IV adjustment. Drexel has revised the current reports and R2T4 calculations to reflect the correct process as provided by the Department of Education. These adjustments are currently being assessed within a 14 day period which meets the 45 day requirement.

Response to Finding 2013-005:

We agree with the recommendation. Drexel University is a Quality Assurance School which means that the selection of those meeting the verification requirements must be done by the institution and then reported to the Department of Education at the end of each quarter. In past years, the selection criteria did not meet the targeted group which the Department of Education has recommended. For the 14/15 academic year Drexel has identified a different population to select for verification and will be applying this new selection criteria and practice. The verification worksheets will be revised to reflect this new practice and population as well as a putting in place a systematic review that can be verified utilizing the Banner software. The intention is to put all new practices in place for the 14/15 Academic year.

Response to Finding 2013-006:

Management is aware that charges were applied to these awards after the period of availability had ended and the charges were subsequently reversed. Management will review oversight controls regarding these charges.

Response to Finding 2013-007:

The service center in question, the printing room, charges the actual cost of a project to the fund. The service center representative did supply the breakdown of the costs that made up the sampled charge, but did not supply the underlying invoice detail. The Office of Research will work with the service center to ensure that rates being charged are uniform. Management also recommends that the service center publish these rates on the website.

Response to 2013-008:

Management is knowledgeable of the reporting requirements stated in Federal Acquisition Regulation clause 52.204-10 (Reporting Executive Compensation and First-Tier Subcontract Awards). Management will automate the FFATA reporting process so that this reporting is done in a timely fashion. Management will also work with federal sponsors regarding the FSRS system to ensure that all reporting requirements are completed in a timely fashion.

Patricia A. Groshon

Patricia A. Groshon
Executive Director, Post Award Administration

3/31/14
Date