

Drexel University and Subsidiaries
Financial Statements and
Schedule of Expenditures of Federal Awards and
Reports in Accordance with Uniform Guidance
For the Year Ended June 30, 2016
EIN # 23-1352630

Drexel University and Subsidiaries
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For the Year Ended June 30, 2016

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Report of Independent Auditors

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 its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 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. 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.

Ricewaterhouse Coopers LLP

Philadelphia, Pennsylvania
October 26, 2016

I. Financial Statements

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2016 and 2015

| <i>(in thousands)</i> | 2016 | 2015 |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | | |
| Operating | \$ 116,559 | \$ 99,457 |
| Restricted | 12,277 | 7,341 |
| Accounts receivable, net | | |
| Tuition | 75,181 | 73,917 |
| Grants, contracts and other | 62,666 | 71,461 |
| Patients | 7,848 | 8,950 |
| Tenet Healthcare Corporation | <u>2,127</u> | <u>1,852</u> |
| Total accounts receivable, net | 147,822 | 156,180 |
| Contributions receivable, net | 117,762 | 88,888 |
| Other assets | 31,667 | 36,847 |
| Funds held by trustees | 1,804 | 5,845 |
| Student loans receivable, net | 31,026 | 35,482 |
| Malpractice insurance trust | 9,398 | 10,599 |
| Beneficial interests in trusts | 48,212 | 53,507 |
| Investments | 663,881 | 681,073 |
| Land, buildings and equipment, net | <u>932,160</u> | <u>902,329</u> |
| Total assets | <u>\$ 2,112,568</u> | <u>\$ 2,077,548</u> |
| Liabilities | | |
| Accounts payable | \$ 59,174 | \$ 58,379 |
| Accrued expenses | 114,481 | 112,975 |
| Deposits | 19,601 | 22,394 |
| Deferred revenue | 140,993 | 118,993 |
| Capital lease | 2,741 | 2,804 |
| Government advances for student loans | 29,360 | 28,513 |
| Post-retirement and pension benefits | 78,539 | 64,200 |
| Bonds and notes payable | <u>447,193</u> | <u>458,661</u> |
| Total liabilities | 892,082 | 866,919 |
| Net assets | | |
| Unrestricted | 623,656 | 631,177 |
| Temporarily restricted | 236,774 | 255,432 |
| Permanently restricted | <u>360,056</u> | <u>324,020</u> |
| Total net assets | <u>1,220,486</u> | <u>1,210,629</u> |
| Total liabilities and net assets | <u>\$ 2,112,568</u> | <u>\$ 2,077,548</u> |

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, 2016

| <i>(in thousands)</i> | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|---------------------------|---------------------------|---------------------|
| Operating revenue | | | | |
| Tuition and fees | \$ 888,564 | \$ - | \$ - | \$ 888,564 |
| Less: Institutional financial aid | (269,583) | | | (269,583) |
| Net student revenue | 618,981 | - | - | 618,981 |
| Patient care activities | 99,789 | | | 99,789 |
| State appropriations | 8,074 | | | 8,074 |
| Government grants and contracts | 94,077 | | | 94,077 |
| Private grants and contracts | 24,107 | 92 | | 24,199 |
| Private gifts | 2,155 | 40,233 | | 42,388 |
| Endowment payout under spending formula | 10,570 | 14,866 | 169 | 25,605 |
| Investment income | 2,068 | 668 | | 2,736 |
| Sales and services of auxiliary enterprises | 86,872 | | | 86,872 |
| Other sources | 31,849 | 844 | | 32,693 |
| Net assets released from restrictions | 55,214 | (55,694) | 480 | - |
| Total operating revenue | <u>1,033,756</u> | <u>1,009</u> | <u>649</u> | <u>1,035,414</u> |
| Operating expense | | | | |
| College programs | 369,432 | | | 369,432 |
| Research and public service | 117,292 | | | 117,292 |
| Academic support | 27,926 | | | 27,926 |
| Student services | 49,628 | | | 49,628 |
| Institutional support | 143,243 | | | 143,243 |
| Scholarships and fellowships | 17,804 | | | 17,804 |
| Auxiliary enterprises | 39,100 | | | 39,100 |
| Total education and general | 764,425 | - | - | 764,425 |
| Patient care activities | 117,601 | | | 117,601 |
| Other operating expense | 64,894 | | | 64,894 |
| Interest | 16,278 | | | 16,278 |
| Depreciation and amortization | 43,606 | | | 43,606 |
| Total operating expense | <u>1,006,804</u> | <u>-</u> | <u>-</u> | <u>1,006,804</u> |
| Change in net assets from operating activities | <u>26,952</u> | <u>1,009</u> | <u>649</u> | <u>28,610</u> |
| Non-operating activities | | | | |
| Endowment and other gifts | 1,577 | | 40,970 | 42,547 |
| Realized/unrealized net loss on investments, net of endowment payout | (25,023) | (19,667) | (5,583) | (50,273) |
| Other non-operating activities | (11,027) | | | (11,027) |
| Change in net assets from non-operating activities | <u>(34,473)</u> | <u>(19,667)</u> | <u>35,387</u> | <u>(18,753)</u> |
| Change in net assets | (7,521) | (18,658) | 36,036 | 9,857 |
| Net assets | | | | |
| Beginning of year | 631,177 | 255,432 | 324,020 | 1,210,629 |
| End of year | <u>\$ 623,656</u> | <u>\$ 236,774</u> | <u>\$ 360,056</u> | <u>\$ 1,220,486</u> |

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, 2015

| <i>(in thousands)</i> | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|---------------------------|---------------------------|---------------------|
| Operating revenue | | | | |
| Tuition and fees | \$ 872,924 | \$ - | \$ - | \$ 872,924 |
| Less: Institutional financial aid | <u>(244,991)</u> | | | <u>(244,991)</u> |
| Net student revenue | 627,933 | - | - | 627,933 |
| Patient care activities | 103,199 | | | 103,199 |
| State appropriations | 8,064 | | | 8,064 |
| Government grants and contracts | 87,791 | | | 87,791 |
| Private grants and contracts | 16,468 | 20 | | 16,488 |
| Private gifts | 6,658 | 60,341 | | 66,999 |
| Endowment payout under spending formula | 11,076 | 14,294 | 100 | 25,470 |
| Investment income | 888 | 2,149 | | 3,037 |
| Sales and services of auxiliary enterprises | 89,841 | | | 89,841 |
| Other sources | 28,315 | | | 28,315 |
| Net assets released from restrictions | <u>71,095</u> | <u>(71,211)</u> | <u>116</u> | <u>-</u> |
| Total operating revenue | <u>1,051,328</u> | <u>5,593</u> | <u>216</u> | <u>1,057,137</u> |
| Operating expense | | | | |
| College programs | 362,345 | | | 362,345 |
| Research and public service | 90,675 | | | 90,675 |
| Academic support | 28,747 | | | 28,747 |
| Student services | 47,501 | | | 47,501 |
| Institutional support | 138,080 | | | 138,080 |
| Scholarships and fellowships | 14,720 | | | 14,720 |
| Auxiliary enterprises | <u>43,076</u> | | | <u>43,076</u> |
| Total education and general | 725,144 | - | - | 725,144 |
| Patient care activities | 132,544 | | | 132,544 |
| Other operating expense | 61,657 | | | 61,657 |
| Interest | 15,869 | | | 15,869 |
| Depreciation and amortization | <u>43,685</u> | | | <u>43,685</u> |
| Total operating expense | <u>978,899</u> | <u>-</u> | <u>-</u> | <u>978,899</u> |
| Change in net assets from operating activities | <u>72,429</u> | <u>5,593</u> | <u>216</u> | <u>78,238</u> |
| Non-operating activities | | | | |
| Endowment and other gifts | - | - | 16,578 | 16,578 |
| Realized/unrealized net loss on investments, net of endowment payout | (4,414) | (11,364) | (3,216) | (18,994) |
| Other non-operating activities | <u>(12,583)</u> | | | <u>(12,583)</u> |
| Change in net assets from non-operating activities | <u>(16,997)</u> | <u>(11,364)</u> | <u>13,362</u> | <u>(14,999)</u> |
| Change in net assets | 55,432 | (5,771) | 13,578 | 63,239 |
| Net assets | | | | |
| Beginning of year | <u>575,745</u> | <u>261,203</u> | <u>310,442</u> | <u>1,147,390</u> |
| End of year | <u>\$ 631,177</u> | <u>\$ 255,432</u> | <u>\$ 324,020</u> | <u>\$ 1,210,629</u> |

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, 2016 and 2015

| <i>(in thousands)</i> | 2016 | 2015 |
|---|-------------------|------------------|
| Cash flow from operating activities | | |
| Increase in net assets | \$ 9,857 | \$ 63,239 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 44,956 | 43,685 |
| Provision for uncollectible accounts | 6,645 | 13,024 |
| Loss on disposal of equipment | 2,319 | 517 |
| Change in market value in beneficial interests in trusts | 5,295 | 2,931 |
| Contributions restricted for long-term investment | (17,926) | (16,578) |
| Non-cash contributions received | (1,480) | (13,663) |
| Proceeds from sale of donated securities | 1,254 | 5,607 |
| Actuarial change on annuity liabilities | 1,859 | 7 |
| Realized/unrealized loss/(gain) on investments | 19,373 | 4,281 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 1,855 | (46,834) |
| Contributions receivable | (28,874) | (17,073) |
| Other assets | 5,180 | (2,849) |
| Accounts payable and accrued expenses | 5,758 | 20,305 |
| Post-retirement and pension benefits | 14,339 | 8,455 |
| Deposits | (2,793) | (16,668) |
| Deferred revenue | 22,000 | 14,312 |
| Net cash provided by operating activities | <u>89,617</u> | <u>62,698</u> |
| Cash flow from investing activities | | |
| Purchase of investments | (58,886) | (554,636) |
| Proceeds from sales and maturities of investments | 56,775 | 545,984 |
| Change in malpractice insurance trust | 1,201 | (10,599) |
| Change in restricted cash | (4,936) | (324) |
| Proceeds from student loan collections | 6,549 | 7,214 |
| Student loans issued | (2,547) | (7,992) |
| Purchase of land, buildings and equipment | (82,231) | (54,667) |
| Change in funds held by trustees | 4,041 | 14,989 |
| Net cash used in investing activities | <u>(80,034)</u> | <u>(60,031)</u> |
| Cash flow from financing activities | | |
| Contributions restricted for endowments | 17,926 | 16,578 |
| Proceeds from sales of donated securities | 313 | 2,112 |
| Payments on annuity obligations | (572) | (333) |
| Government advances for student loans | 847 | 328 |
| Proceeds from short-term debt | - | 20,000 |
| Repayment of short-term debt | - | (20,000) |
| Repayment of long-term debt | (10,995) | (10,036) |
| Net cash provided by financing activities | <u>7,519</u> | <u>8,649</u> |
| Net increase in cash and cash equivalents | 17,102 | 11,316 |
| Cash and cash equivalents | | |
| Beginning of year | <u>99,457</u> | <u>88,141</u> |
| End of year | <u>\$ 116,559</u> | <u>\$ 99,457</u> |
| Supplemental information | | |
| Gifts-in-kind | \$ 154 | \$ 5,911 |
| Cash paid for interest | 16,682 | 16,796 |
| Amounts accrued for purchase of land, buildings and equipment | 14,267 | 9,525 |
| Donated securities | 1,637 | 7,752 |

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. Nature of Organization and Summary of Significant Accounting Policies

Basis of Consolidated Financial Statements

Drexel University (the “University”) is a private comprehensive global research university located in Philadelphia, Pennsylvania. The University is a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The consolidated financial statements include the University, the Academy of Natural Sciences of Philadelphia, Drexel University Online, LLC, Academic Properties, Inc., and the University’s other subsidiaries which are described in detail in these notes. All University subsidiaries have a fiscal year ending June 30, unless otherwise indicated in this footnote. All subsidiary financial information included within the financial statements has been consolidated utilizing the University’s fiscal year.

Basis of Accounting

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

Temporarily Restricted

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

Unrestricted

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

Academy of Natural Sciences of Philadelphia

Pursuant to an affiliation agreement dated September 13, 2011, the University owns 100% of the Academy of Natural Sciences of Philadelphia, doing business as the Academy of Natural Sciences of Drexel University (“ANS”). ANS, founded in 1812, is a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. ANS is dedicated to encouraging and cultivating the sciences and advancing learning. ANS operates a public museum in Philadelphia and conducts systematic research and research in aquatic ecosystems, including integrating such research with education regarding biodiversity and environmental science in collaboration with the University and its students.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Academic Properties, Inc.

The University owns 100% of Academic Properties, Inc. (“API”), an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. API manages properties used by the University, as well as other strategically located properties contiguous to its campus.

Drexel University Online, LLC

The University previously owned 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. On July 1, 2015, DeL merged with and into Drexel University Online, LLC (“DUO”), a non-profit, Delaware, single-member, limited liability company whose sole member is Drexel University. On that date, DUO became the surviving entity and will carry on all of the operations previously performed by DeL. Accordingly, as of July 1, 2015, the DeL legal entity ceased to exist.

Dragon Risk Limited, Co.

Dragon Risk Limited, Co. (“DRLC”) is a single member, limited liability company, formed and domiciled in the State of Vermont, of which Drexel University is the sole member. DRLC received its Articles of Organization on May 23, 2014 from the Vermont Secretary of State, its Certificate of Authority from the Vermont Department of Financial Regulation on June 11, 2014 and commenced business on July 1, 2014. Dragon Risk Limited, Co. provides excess liability coverage to Drexel University.

11th Street Family Health Services, Inc.

11th Street Family Health Services, Inc. (“11th Street”), a Pennsylvania non-profit corporation, was formed on December 12, 2013. 11th Street is a non-profit real estate holding company of Drexel University, organized to operate in furtherance of the activities of Drexel University and to facilitate the use of new market tax credits in rehabilitating and expanding the structures located at 850 North 11th Street, Philadelphia (the “Property”) which was donated from Drexel University on December 23, 2013. The Property is located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a qualified active low-income community business (a “QALICB”) as defined by Section 45D of the Internal Revenue Code of 1986, as amended, and Section 1.45D-1(d)(4) of the Code of Federal Regulations. The project is funded by a qualified low income community investment loan.

3509 Spring Garden, Limited Partnership

3509 Spring Garden, Limited Partnership (“3509 LP”), a Pennsylvania limited partnership, was formed on February 25, 2013 to acquire, own, rehabilitate, lease, manage and operate the 3509 Spring Garden property (the “Dornsife Center”) in a manner that will qualify such rehabilitation for historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended. The Dornsife Center is also located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a QALICB. 3509 LP follows a calendar based fiscal year.

3509 Spring Garden, General Partner, Inc.

3509 Spring Garden, General Partner, Inc., (“3509 GP”) a Pennsylvania corporation, is the sole general partner in 3509 LP. 3509 GP is a wholly owned subsidiary of the University. The officers of 3509 GP are also the officers and senior leadership of Drexel University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a for-profit single purpose entity was needed to own the property and to own the 3509 LP QALICB. The 3509 LP QALICB was established, with 3509 GP acting as the general partner and holding a 90% interest. 3509 GP follows a calendar based fiscal year.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

3509 Spring Garden, Master Tenant, Limited Partnership

3509 Spring Garden, Master Tenant, Limited Partnership (“3509 MTLP”) a Pennsylvania limited partnership, was formed on August 21, 2013 to lease, manage and operate property owned by 3509 LP. 3509 MTLP has made an equity investment in 3509 LP and is also a partner with a 10% interest. 3509 MTLP consists of a general partner with 0.01% interest and a limited partner with a 99.99% interest. 3509 MTLP and 3509 LP have executed a historic tax credit pass-through agreement pursuant to which 3509 LP will elect under Section 50 of the Internal Revenue Code to pass through to the Partnership the federal tax credits to which it is entitled as a result of the historic buildings rehabilitation project. 3509 MTLP follows a calendar based fiscal year.

3509 Spring Garden, Master Tenant Manager, Inc.

3509 Spring Garden, Master Tenant Manager, Inc., (“3509 MTM”) a Pennsylvania corporation, is the sole general partner in 3509 MTLP. 3509 MTM is a wholly owned subsidiary of the University. The officers of 3509 MTM are also the officers and senior leadership of Drexel University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a separate, for-profit, single purpose entity was established to operate the sublease of the Dornsife Center to meet the QALICB requirements. 3509 MTM is the non-member manager of the property and the general partner and holding a 0.01% interest in 3509 MTLP. 3509 MTM follows a calendar based fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. At June 30, 2016 and 2015, the University had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash includes funds related to the Perkins Loan program and self-insurance trust escrow accounts.

Contributions Receivable

Contributions and unconditional pledges are recorded at the present value of their expected future cash flows. Unconditional pledges that are expected to be collected within one year are recorded at their estimated net realizable value. Conditional pledges are not included as revenue until such time as the conditions are substantially met. Contributions are reported as an increase in the appropriate net asset category.

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 classified as Level 3. (See Note 7 for investment level definitions). The trusts are valued based on the underlying securities held by the trusts and are primarily composed of equity and fixed income securities that have readily determinable values. The primary unobservable inputs used in the fair value measurement of the trusts are the present value of expected future cash flows. Significant fluctuation in the securities held in the trusts could result in a material change in fair value. Liabilities to beneficiaries are revalued annually based on the current interest rate tables from the Society of Actuaries, and are categorized as Level 3.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Fair Value of Financial Instruments

The University applies fair value measurements to contributions receivable in the year of receipt, beneficial interests in trusts, investments, self-insurance escrow funds, internally held real estate of the endowment, funds held by trustees, interest rate swaps, and annuities. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans cannot be made because the loans cannot be sold and can only be assigned to the U.S. Government or its designees. These loans are recorded at cost, less an allowance for doubtful accounts and the carrying value of the loans receivable from students under Drexel's loan programs approximate fair value. (Notes 6, 7, 8, and 12 for additional fair value disclosures).

Patient Care Activities

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

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

Contributions

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

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded as unrestricted.

Non-operating Activities

Non-operating activities include permanently restricted contributions, realized and unrealized gains and losses on investments, net of payouts under the endowment spending policies, post-retirement benefit plan and defined benefit pension plan adjustments, restructuring costs, distributions to special purpose tax credit entities and costs related to the dissolution of DeL and the formation of DUO.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Non-operating activities are detailed as follows:

| <i>(in thousands)</i> | 2016 | 2015 |
|---|--------------------|--------------------|
| Endowment and other gifts | \$ 42,547 | \$ 16,578 |
| Realized/unrealized net (loss) on investments, net of endowment payout | (50,273) | (18,994) |
| Post-retirement and pension plan adjustments | (9,669) | (5,820) |
| Restructuring costs | (2,217) | (5,430) |
| US Bank distribution to 3509 Spring Garden entities | 1,147 | - |
| DeL/DUO merger-related expenses | (316) | (742) |
| Other consolidation adjustments and expenses | 28 | (591) |
| Change in net assets from non-operating activities | <u>\$ (18,753)</u> | <u>\$ (14,999)</u> |

Use of Estimates

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

Income Taxes

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

The University and its affiliates engage in activities that are subject to unrelated business income taxes for which appropriate income tax returns are filed (Note 15).

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 there are any uncertain tax positions that require recognition in the financial statements.

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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 losses of \$1,534,000 in 2016 and \$247,000 in 2015. The fair value of the interest rate swap agreement was a liability of \$6,101,000 and \$4,567,000, respectively, at June 30, 2016 and 2015.

The swap agreement is used by the University to reduce exposure to the volatility in variable interest rates on long-term debt (Note 11). There were no other swap agreements in effect as of June 30, 2016 or 2015. The fair value of the swap agreements is reported within accrued expenses in the consolidated statements of financial position. The change in the estimated fair value of terminating the interest rate swap agreement is included in realized and unrealized net loss / gain on investments in the non-operating section (Note 1) of the consolidated statements of activities.

New Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize all investments measured at fair value using the net asset value per share practical expedient within the fair value hierarchy. The provisions of ASU 2015-07 are effective for fiscal years beginning after December 15, 2016, and require retrospective application to all periods presented. The University will adopt this standard in the next fiscal year. The University is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) No. 2015-14, Revenue from Contracts with Customers (Topic 606). The core principle of Topic 606 is that revenue be recognized in manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be compensated in exchange for those goods or services. The guidance is effective for annual fiscal periods beginning after December 15, 2017. The University is currently evaluating the standard to determine the impact it will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is meant to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual fiscal periods beginning after December 15, 2019. The University is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 is meant to reduce the complexity of and add clarity to net asset reporting, add additional disclosure regarding nature of self-imposed limits on unrestricted net assets and donor restricted net assets, and add reporting requirements related to nature of expenses. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The University is currently evaluating the standard to determine the impact it will have on its financial statements.

2. Reclassification of Prior Year Presentation

The malpractice insurance trust asset category has been introduced on the Statement of Financial Position to clearly delineate these assets. The prior year amounts have been reclassified from Investments on the Statement of Financial Position to Purchase of investments in the Statement of

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Cash Flows to conform with June 30, 2016 presentation. These reclassifications had no impact on the change in net assets.

3. Net Assets

Net assets included the following:
(in thousands)

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Unrestricted | | |
| Undesignated | \$ (350,763) | \$ (282,639) |
| Designated for colleges, departments and student loans | 134,298 | 128,958 |
| Physical plant | 612,718 | 535,752 |
| Quasi-endowment funds | 236,256 | 251,551 |
| Reclassification for endowments with deficiencies | <u>(8,853)</u> | <u>(2,445)</u> |
| Total unrestricted | <u>623,656</u> | <u>631,177</u> |
| Temporarily restricted | | |
| Funds for instruction, scholarships and capital expenditures | 128,715 | 148,088 |
| Endowment realized and unrealized gain | 99,811 | 102,052 |
| Reclassification for endowments with deficiencies | 6,981 | 1,733 |
| Life income and term endowment funds | <u>1,267</u> | <u>3,559</u> |
| Total temporarily restricted | <u>236,774</u> | <u>255,432</u> |
| Permanently restricted | | |
| Endowment principal | 315,208 | 277,859 |
| Reclassification for endowments with deficiencies | 1,871 | 712 |
| Beneficial interests in trusts | 35,313 | 38,081 |
| Student loans and others | <u>7,664</u> | <u>7,368</u> |
| Total permanently restricted | <u>360,056</u> | <u>324,020</u> |
| Total net assets | <u>\$ 1,220,486</u> | <u>\$ 1,210,629</u> |

4. Accounts Receivable

Accounts receivable are reported at their net realizable value. Accounts are credited in 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.

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

| <i>(in thousands)</i> | 2016 | 2015 |
|---------------------------------------|-------------------|-------------------|
| Tuition | \$ 101,206 | \$ 96,832 |
| Grants, contracts, and other | 65,771 | 73,674 |
| Patient, net of contractual allowance | 12,835 | 15,155 |
| Tenet Healthcare Corporation | <u>2,127</u> | <u>1,852</u> |
| | 181,939 | 187,513 |
| Allowance for doubtful accounts: | | |
| Tuition | (26,025) | (22,915) |
| Grants, contracts, and other | (3,105) | (2,213) |
| Patient | <u>(4,987)</u> | <u>(6,205)</u> |
| Accounts receivable, net | <u>\$ 147,822</u> | <u>\$ 156,180</u> |

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

The availability of funds for loans under Federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of \$29,360,000 and \$28,513,000 at June 30, 2016 and 2015, 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.

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At June 30, 2016 and 2015, student loans consisted of the following:

| <i>(in thousands)</i> | 2016 | 2015 |
|--|------------------|------------------|
| Federal government loan programs | | |
| Perkins loan program | \$ 20,138 | \$ 22,988 |
| Health professions student loans and loans for disadvantaged students | 3,590 | 4,039 |
| Nursing student loans | <u>34</u> | <u>28</u> |
| Federal government loan programs | 23,762 | 27,055 |
| Institutional loan programs | <u>9,979</u> | <u>11,101</u> |
| | 33,741 | 38,156 |
| Less: Allowance for doubtful accounts | <u>(2,715)</u> | <u>(2,674)</u> |
| Student loans receivable, net | <u>\$ 31,026</u> | <u>\$ 35,482</u> |

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

5. Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable with a payment more than a year from the pledge date are recorded net of a discount using rates as of June 30, 2016 and June 30, 2015 that range between 0.07% to 1.49% and 0.07% to 2.35%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC 820-10 (Note 7).

Net contributions receivable at June 30 were as follows:

| <i>(in thousands)</i> | 2016 | 2015 |
|-------------------------------------|-------------------|------------------|
| Amounts due in | | |
| Less than one year | \$ 10,605 | \$ 30,412 |
| One to five years | 58,646 | 35,400 |
| Greater than five years | <u>69,567</u> | <u>45,522</u> |
| Gross contributions receivable | 138,818 | 111,334 |
| Less: | | |
| Allowance for uncollectibles | (336) | (648) |
| Discounts to present value | <u>(20,720)</u> | <u>(21,798)</u> |
| Total contributions receivable, net | <u>\$ 117,762</u> | <u>\$ 88,888</u> |

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Outstanding conditional promises to give amounted to \$22,549,000 and \$30,852,000 at June 30, 2016 and 2015, 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:

| <i>(in thousands)</i> | 2016 | 2015 |
|--|-------------------|------------------|
| Net contributions receivable at beginning of year | \$ 88,888 | \$ 72,334 |
| New pledges | 55,223 | 36,213 |
| Collections and adjustments | (27,737) | (11,611) |
| Decrease in allowance for uncollectibles | 312 | 171 |
| Net (increase)/decrease in present value discounts | <u>1,076</u> | <u>(8,219)</u> |
| Net contributions receivable at end of year | <u>\$ 117,762</u> | <u>\$ 88,888</u> |

6. Investments and Investment Return

At June 30, 2016 and 2015, the fair value of the malpractice insurance trust and investments included the following:

| <i>(in thousands)</i> | <u>Fair value</u> | |
|--|-------------------|-------------------|
| | 2016 | 2015 |
| Equity securities | \$ 284,591 | \$ 294,955 |
| Fixed income securities and bond funds | 55,558 | 61,062 |
| Alternative investments | 78,067 | 83,819 |
| Real estate and real assets funds | 65,738 | 57,311 |
| Directly-held real estate | 124,460 | 122,755 |
| Money market funds | <u>11,629</u> | <u>17,994</u> |
| Total endowment investments | 620,043 | 637,896 |
| Self-insurance escrow funds (Note 14) | <u>53,236</u> | <u>53,776</u> |
| Total investments | <u>\$ 673,279</u> | <u>\$ 691,672</u> |

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2016 and 2015:

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| <i>(in thousands)</i> | 2016 | | | |
|--|---------------------|-------------------------------|-------------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Investment income and realized/unrealized gains and (losses) | \$ (14,453) | \$ (4,801) | \$ (5,414) | \$ (24,668) |
| Endowment payout under spending formula | <u>(10,570)</u> | <u>(14,866)</u> | <u>(169)</u> | <u>(25,605)</u> |
| Realized/unrealized net loss on investments, net of endowment payout | (25,023) | (19,667) | (5,583) | (50,273) |
| Operating investment income | <u>2,068</u> | <u>668</u> | <u></u> | <u>2,736</u> |
| Total return on investments | <u>\$ (22,955)</u> | <u>\$ (18,999)</u> | <u>\$ (5,583)</u> | <u>\$ (47,537)</u> |

| <i>(in thousands)</i> | 2015 | | | |
|--|---------------------|-------------------------------|-------------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Investment income and realized/unrealized gains and (losses) | \$ 6,662 | \$ 2,930 | \$ (3,116) | \$ 6,476 |
| Endowment payout under spending formula | <u>(11,076)</u> | <u>(14,294)</u> | <u>(100)</u> | <u>(25,470)</u> |
| Realized/unrealized net loss on investments, net of endowment payout | (4,414) | (11,364) | (3,216) | (18,994) |
| Operating investment income | <u>888</u> | <u>2,149</u> | <u></u> | <u>3,037</u> |
| Total return on investments | <u>\$ (3,526)</u> | <u>\$ (9,215)</u> | <u>\$ (3,216)</u> | <u>\$ (15,957)</u> |

7. 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

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significant number of price or other inputs, considered to be unobservable, are used in their valuations. The fair value hierarchy and inputs to valuation techniques are as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly-traded range of equity and debt securities.
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include nonexchange traded fixed income securities, certain bond investments, mutual funds, structured products, and interest rate swaps.
- Level 3 Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of partnership investments in hedge funds, alternative and private equities, contributions receivable and annuities, directly held real estate, and real estate fund investments.

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

As of June 30, 2016, the assets and liabilities measured at fair value for each hierarchy level were as follows:

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| <i>(in thousands)</i> | 2016 | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Funds held by trustees | \$ 1,804 | \$ - | \$ - | \$ 1,804 |
| Beneficial interests in trusts | - | - | 48,212 | 48,212 |
| Investments | | | | |
| Equity securities | 241,496 | 43,096 | - | 284,592 |
| Fixed income securities and bond funds | 10,933 | 44,625 | - | 55,558 |
| Alternative investments | - | - | 78,067 | 78,067 |
| Real estate and real assets funds | 647 | 30,859 | 34,231 | 65,737 |
| Directly-held real estate | - | - | 124,460 | 124,460 |
| Money market funds | 11,629 | - | - | 11,629 |
| Investments held in endowment | 264,705 | 118,580 | 236,758 | 620,043 |
| Self-insurance escrow funds (Note 14) | 53,236 | - | - | 53,236 |
| Total investments | 317,941 | 118,580 | 236,758 | 673,279 |
| Total assets at fair value | <u>\$ 319,745</u> | <u>\$ 118,580</u> | <u>\$ 284,970</u> | <u>\$ 723,295</u> |
| Liabilities | | | | |
| Interest rate swaps (Note 1) | \$ - | \$ 6,101 | \$ - | \$ 6,101 |
| Annuities | - | - | 8,295 | 8,295 |
| Total liabilities at fair value | <u>\$ -</u> | <u>\$ 6,101</u> | <u>\$ 8,295</u> | <u>\$ 14,396</u> |
| 2015 | | | | |
| <i>(in thousands)</i> | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Funds held by trustees | \$ 5,845 | \$ - | \$ - | \$ 5,845 |
| Beneficial interests in trusts | - | - | 53,507 | 53,507 |
| Investments | | | | |
| Equity securities | 261,243 | 33,712 | - | 294,955 |
| Fixed income securities and bond funds | 11,520 | 49,542 | - | 61,062 |
| Alternative investments | - | - | 83,819 | 83,819 |
| Real estate and real assets funds | 749 | 14,395 | 42,167 | 57,311 |
| Directly-held real estate | - | - | 122,755 | 122,755 |
| Money market funds | 17,994 | - | - | 17,994 |
| Investments held in endowment | 291,506 | 97,649 | 248,741 | 637,896 |
| Self-insurance escrow funds (Note 14) | 53,776 | - | - | 53,776 |
| Total investments | 345,282 | 97,649 | 248,741 | 691,672 |
| Total assets at fair value | <u>\$ 351,127</u> | <u>\$ 97,649</u> | <u>\$ 302,248</u> | <u>\$ 751,024</u> |
| Liabilities | | | | |
| Interest rate swaps (Note 1) | \$ - | \$ 4,567 | \$ - | \$ 4,567 |
| Annuities | - | - | 6,440 | 6,440 |
| Total liabilities at fair value | <u>\$ -</u> | <u>\$ 4,567</u> | <u>\$ 6,440</u> | <u>\$ 11,007</u> |

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) were as follows:

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| <i>(in thousands)</i> | 2016 | | | |
|---|-------------------|-----------------------------|---|---|
| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period (If Applicable) |
| Multi-Strategy Hedge Funds (a) | \$ 15,531 | | Annual/Quarterly | 45-60/65 days |
| Distressed Debt Hedge Funds (b) | 2,889 | | Annual/Quarterly | 90 days |
| Fixed Income and Related Hedge Funds (c) | 20,068 | | Quarterly | 45 days |
| Private Capital Funds-Secondaries (d) | 9,768 | 4,651 | | |
| Private Capital Funds-Venture Capital (e) | 2,342 | 2,497 | | |
| Private Capital Funds - Distressed Assets (f) | 4,390 | 721 | | |
| Private Capital Funds-Buy-out (g) | 7,565 | 29,189 | | |
| Real Asset Funds (h) | 14,957 | 6,474 | | |
| Real Estate Funds (i) | 9,328 | 13,796 | | |
| Long/Short Equity Hedge Funds (j) | 1,792 | - | Annual | 95 days |
| Private Capital Funds-Hedge Fund Seeder (k) | 4,609 | 222 | | |
| Private Capital Funds-Mezzanine Debt (l) | 9,113 | 1,879 | | |
| | <u>\$ 102,352</u> | <u>\$ 59,429</u> | | |

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2016 and 2015, respectively, the composite portfolio includes approximately 48% and 49% in distressed investments with a liquidation period of 1 to 3 years, 25% and 32% arbitrage opportunities, 14% and 6% in cash, 11% and 11% long/short equity and 2% and 2% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- b. This category includes investments in hedge funds that invest in debt of companies in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair value has been estimated using the reported net asset value per share of the hedge fund.
- c. This category includes investment in hedge funds that invest in U.S. mortgage backed securities. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- d. This category includes investments in private equity funds that invest in the secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2016, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 56% in 1 to 4 years; 44% in 5 to 7 years; and 0% in 8 to 10 years. At June 30, 2015, the liquidation periods were expected to be: 2% in 1 to 4 years; 64% in 5 to 7 years; and 34% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

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- 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, 2016, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 40% in 1 to 4 years; and 60% in 5 to 7 years (with the inclusion of a new investment in FY2015). At June 30, 2015, the liquidation periods were expected to be: 74% in 1 to 4 years; 26% in 5 to 7 years; and 0% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- f. This category includes investments in private equity funds that invest in the distressed asset and middle market corporate distressed markets. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2016, it is estimated that the underlying assets of the fund would be liquidated over 1 to 4 years, versus 5 to 7 years at June 30, 2015. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- g. This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are diversified across industries and primarily in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2016, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 23% over 1 to 4 years; 0% in 5 to 7 years; and 77% over 8 to 10 years. At June 30, 2015, the liquidation periods were expected to be: 63% in 1 to 4 years; 0% in 5 to 7 years; and 37% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- h. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate 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, 2016, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 66% in 1 to 4 years; 29% in 5 to 7 years; and 5% in 8 to 10 years. At June 30, 2015, the liquidation periods were expected to be: 25% in 1 to 4 years; 49% in 5 to 7 years; and 26% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real asset fund.
- i. This category includes investments in private equity funds that invest in U.S. commercial real estate. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. At June 30, 2016, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 91% in 1 to 4 years; 0% in 5 to 7 years; and 9% in 8 to 10 years. At June 30, 2015, the liquidation periods were expected to be: 73% in 1 to 4 years; 26% in 5 to 7 years; and 1% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate fund.

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- j. This category includes investments in hedge funds that invest primarily in U.S. common stocks with both long and short strategies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- k. This category includes investments in private equity funds that invest in newly-started hedge funds that pursue multiple strategies. The fund provides start-up funding to hedge funds of various strategies with the potential to share in the appreciation of the investment, as well as to share in the management fees gathered by the underlying start-up hedge funds. As of June 30, 2016 and 2015, respectively, the fund's underlying investments were 46% and 48% long/short global equity, 12% and 7% in macro and commodity trading, 30% and 22% in diversified credit, 2% and 7% in arbitrage opportunities, and 10% and 16% in global event-driven opportunities. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets would be liquidated in 1 to 5 years at June 30, 2016 and 2 to 6 years at June 30, 2015. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- l. This category includes investments in private equity funds that provide mezzanine debt financing to middle market firms. Mezzanine debt differs from mortgage debt in that the mezzanine debt is backed by equity interests in the borrowing firm, versus mortgage financing which is backed by the asset. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund would be liquidated over 5 to 7 years at June 30, 2016 and 2015. The fair value has been estimated using the reported net asset value per share of the private capital fund.

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

The University owns partnership interests in a real estate portfolio classified real estate and real estate funds as a Level 3 asset. The interests have a fair market value of \$9,946,000 net of \$14,224,000 in outstanding debt. The valuation of these investment properties is prepared annually by an independent appraiser.

The significant unobservable inputs used in the fair value measurements of the University's investments in real estate are the selection of certain investment rates (discount rate, terminal capitalization rate, and overall capitalization rate). Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement, respectively.

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

| <i>(in thousands)</i> | 2016 | 2015 |
|---|-------------------|-------------------|
| Assets at beginning of year | \$ 302,248 | \$ 305,992 |
| Net realized/unrealized gains/(losses) | (4,363) | 4,864 |
| Purchases of investments | 18,305 | 57,135 |
| Sales of investments | (31,220) | (65,743) |
| Transfers to other levels | - | - |
| Transfers from other levels | - | - |
| Assets at end of year | <u>\$ 284,970</u> | <u>\$ 302,248</u> |
| | | |
| <i>(in thousands)</i> | 2016 | 2015 |
| Annuities at beginning of year | \$ 6,440 | \$ 6,430 |
| Actuarial change on annuity liabilities | 2,427 | 704 |
| Payments on annuity liabilities | (572) | (694) |
| Annuities at end of year | <u>\$ 8,295</u> | <u>\$ 6,440</u> |

8. 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, 2016 and 2015, the University 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, with the exception of ANS. For the years ended June 30, 2016 and 2015, ANS had an endowment spending rule that limited the spending of endowment resources to 6.5% of the fair market value of the pooled endowment assets for the prior seven fiscal years. This rule was applied except in cases where the spending rate had been stipulated by the donor agreement (typically 5.0%).

The University's endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments (quasi endowments). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The earnings on these funds are utilized by the University in a manner consistent with specific donor restrictions on the original contributions.

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Interpretation of Relevant Law

The Board of Trustees has interpreted Pennsylvania Act 141 (“PA Act 141”) as requiring the preservation of the fair value of the original gift as specified in the individual trust instruments. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the endowment made in accordance with the direction of the applicable donor designation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141. Endowment composition by type of fund as of June 30 was as follows:

| 2016 | | | | |
|----------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| <i>(in thousands)</i> | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ 24,021 | \$ 111,900 | \$ 317,198 | \$ 453,119 |
| Board-designated endowment funds | 191,020 | - | - | 191,020 |
| Total assets | <u>\$ 215,041</u> | <u>\$ 111,900</u> | <u>\$ 317,198</u> | <u>\$ 644,139</u> |

| 2015 | | | | |
|----------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| <i>(in thousands)</i> | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ 23,281 | \$ 131,093 | \$ 277,308 | \$ 431,682 |
| Board-designated endowment funds | 210,276 | - | - | 210,276 |
| Total assets | <u>\$ 233,557</u> | <u>\$ 131,093</u> | <u>\$ 277,308</u> | <u>\$ 641,958</u> |

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Changes in the University's endowment assets for the years ended June 30, 2016 and 2015 were as follows:

| <i>(in thousands)</i> | 2016 | | | Total |
|--|---------------------|-------------------------------|-------------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment at beginning of year | \$ 233,557 | \$ 131,093 | \$ 277,308 | \$ 641,958 |
| Investment return on endowment assets | (4,173) | (9,767) | (1,405) | (15,345) |
| Reclassification for funds with deficiencies | (6,396) | 5,237 | 1,159 | - |
| Total endowment return | <u>(10,569)</u> | <u>(4,530)</u> | <u>(246)</u> | <u>(15,345)</u> |
| Contributions | - | 73 | 42,633 | 42,706 |
| Use of endowment assets | | | | |
| Endowment payout used in operations | (10,570) | (14,866) | (169) | (25,605) |
| Other | 2,623 | 130 | (2,328) | 425 |
| Total uses | <u>(7,947)</u> | <u>(14,736)</u> | <u>(2,497)</u> | <u>(25,180)</u> |
| Endowment at end of year | <u>\$ 215,041</u> | <u>\$ 111,900</u> | <u>\$ 317,198</u> | <u>\$ 644,139</u> |

| <i>(in thousands)</i> | 2015 | | | Total |
|--|---------------------|-------------------------------|-------------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment at beginning of year | \$ 231,774 | \$ 143,460 | \$ 263,405 | \$ 638,639 |
| Investment return on endowment assets | 11,203 | 3,078 | 27 | 14,308 |
| Reclassification for funds with deficiencies | (839) | 564 | 275 | - |
| Total endowment return | <u>10,364</u> | <u>3,642</u> | <u>302</u> | <u>14,308</u> |
| Contributions | - | (962) | 15,682 | 14,720 |
| Use of endowment assets | | | | |
| Endowment payout used in operations | (11,076) | (14,294) | (100) | (25,470) |
| Other | 2,495 | (753) | (1,981) | (239) |
| Total uses | <u>(8,581)</u> | <u>(15,047)</u> | <u>(2,081)</u> | <u>(25,709)</u> |
| Endowment at end of year | <u>\$ 233,557</u> | <u>\$ 131,093</u> | <u>\$ 277,308</u> | <u>\$ 641,958</u> |

Endowment Funds with Deficiencies

From time to time, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund. The aggregate amount of funds with deficiencies is reported in unrestricted net assets in the consolidated statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies were \$8,824,000 and \$2,445,000 as of June 30, 2016 and 2015, respectively.

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9. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if acquired by gift, at the appraised value on the date of acquisition. Amortization and depreciation are computed on a straight-line basis over the lesser of the estimated useful lives of the assets ranging from 3 to 30 years for equipment and software and 5 to 50 years for buildings and improvements or the shorter of the term of the lease.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was \$3,061,000 and \$5,836,000 at June 30, 2016 and \$3,122,000 and \$5,487,000 at June 30, 2015, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the consolidated statements of financial position. In 2016 and 2015, depreciation and accretion expense amounted to \$29,000 and \$43,000, respectively, and \$259,000 and \$132,000, respectively.

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

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

| <i>(in thousands)</i> | 2016 | 2015 |
|---------------------------------------|-------------------|-------------------|
| Works of art | \$ 11,030 | \$ 10,918 |
| Land and improvements | 133,094 | 132,808 |
| Buildings and improvements | 970,196 | 914,955 |
| Equipment, software and library books | 209,138 | 208,328 |
| Construction in progress | <u>72,155</u> | <u>63,869</u> |
| | 1,395,613 | 1,330,878 |
| Less: Accumulated depreciation | <u>(463,453)</u> | <u>(428,549)</u> |
| Total land, buildings and equipment | <u>\$ 932,160</u> | <u>\$ 902,329</u> |

Drexel University and Subsidiaries
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10. Leases

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

(in thousands)

| | | |
|------------------------------|----|----------------|
| June 30, | | |
| 2017 | \$ | 18,492 |
| 2018 | | 17,246 |
| 2019 | | 16,457 |
| 2020 | | 15,335 |
| 2021 | | 14,870 |
| Thereafter | | <u>22,383</u> |
| Total minimum lease payments | \$ | <u>104,783</u> |

Total rent expense for operating leases amounted to \$19,360,000 and \$21,182,000 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015.

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 \$371,000 and \$62,000, respectively, capitalized for improvements in fiscal years 2016 and 2015. Estimated costs for the required improvements amounted to \$2,741,000 and \$2,804,000 at June 30, 2016 and 2015, respectively. These costs have been capitalized and a comparable capital lease liability recorded.

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

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On August 30, 2013, the University entered into a land purchase agreement with 3175 JFK Associates, LP and L-A 31, LP, both affiliates of ACC, whereby ACC contributed land, air rights and a subsurface parcel it owned contiguous to Drexel's campus (i.e. 3175 JFK Boulevard) to the University as a gift, without any purchase consideration, but retained the ownership of the "University Crossings" building and improvements erected on this land. The University Crossings property consists of 1.15 acres of land and a 17-story, 452,483 square foot building with 261 units and a total bed capacity of 1,016. As a condition of the land purchase agreement, Drexel and ACC also entered into a ground lease agreement whereby Drexel leased the land back to ACC for no consideration other than reimbursement of property tax that Drexel would be required to pay as the land owner. The term of the lease is forty years with an option to renew for three consecutive ten year terms. Payments to the University from ACC are recorded as a cost recovery of property taxes. Within five years from the effective date, ACC is required to complete no less than \$22,327,000 in capital improvements. The University's financial statements include a ground lease liability for the sub-parcel and air rights at June 30, 2016, and 2015 of \$11,150,000 and \$11,450,000, respectively. The University recognized \$300,000 of ground lease income related to this agreement during fiscal years 2016 and 2015.

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

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

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

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On December 17, 2014, the University entered into a ground lease agreement with Study Philadelphia Holding, LLC (“SPHLLC”) to build an upscale hotel, “The Study”, on University property located at 3301 Chestnut Street and 20-40 South 33rd Street. The hotel will feature ground floor restaurant and retail space, a conference center, approximately 212 hotel rooms, and accessory hotel amenities, with a main entrance on 33rd Street. The hotel includes a ten-story building, totaling 145,000 square feet of space. The base term of the lease is fifty years with two, ten year renewal options. In consideration for the right to develop, own, and operate the property, SPHLLC will pay the University annual ground rent ranging from \$150,000 to \$167,000 over the fifty year term of the lease. The commencement date is twenty-four months from the date of the lease or the opening date whichever is earlier. Upon the expiration of the lease, the leased premises will become the property of the University.

On October 2, 2015, the University entered into a ground lease agreement with RPG 32 Race, LP (“RPG”) for University property located at 3201 Race Street. RPG intends to lease the property and develop a 178,00 square foot multi-storied, mixed-use facility, consisting of 164 “Class A” rental apartment units, 13,800 square foot childcare center, ancillary amenities and improvements including a café and rooftop sundeck, 27 on-site parking spaces, accommodation for customer curbside drop-off for use in connection with the childcare center. Nobel Learning Communities, Inc. is the approved childcare operator. Construction began in March 2016 and substantial completion is estimated by August 2017. The annual rent commencement date is defined as twelve months following the substantial completion of the project. The initial term of the lease is seventy-five years with the option to extend the lease for one additional term of twenty-four years. In consideration for the right to develop, own and operate the property, RPG will pay the University annual ground round ranging from \$160,000 to \$312,000 over the initial term of the lease.

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Notes to Consolidated Financial Statements

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11. Bonds and Notes Payable

| <i>(in thousands)</i> | Project | Maturity | Interest Rate | 2016 | 2015 |
|---|---|-----------------|----------------------|-------------------|-------------------|
| Description | | | | | |
| Dormitory Bonds of 1969 | Calhoun Hall | 2014-2019 | 3.00% | 220 | 290 |
| Pennsylvania Higher Educational Facilities Authority Revenue Bonds | Capital improvements and equipment | 2019-2026 | Variable | 22,500 | 22,500 |
| Second Series of 2000 | Matheson Hall | | | | |
| Series B of 2002 | improvements, new research center, other improvements | 2015-2032 | Variable | 41,505 | 41,825 |
| Series A of 2005 | Capital improvements and equipment | 2014-2034 | 3.20-5.00% | 24,999 | 26,162 |
| 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% | 95,242 | 95,382 |
| Series B of 2007 | Dormitory & Wellness Center; capital improvements and equipment | 2014-2037 | Variable | 25,635 | 26,345 |
| Series of 2007 | Refund mortgage, capital improvements and equipment | 2014-2037 | 3.75-5.00% | 19,353 | 19,903 |
| Series A of 2011 | Partial cost of buildings for the Colleges of Business and Media Arts & Design, Department of Biology; Stratton Hall renovations; refunding | 2014-2041 | 2.00-5.25% | 145,660 | 150,784 |
| Series of 2012 | Refunding | 2014-2032 | 1.00-5.00% | 22,914 | 26,305 |
| 11th Street Family Health Services Inc. The Reinvestment Fund, Inc. | New Market Tax Credit Program | 2043 | 1.297% | 2,717 | 2,717 |
| | | 2043 | 1.297% | 6,783 | 6,783 |
| 3509 Spring Garden, LP Philadelphia Industrial Development Corp. | New Market Tax Credit Program | 2044 | 1.517% | 1,964 | 1,964 |
| | | 2044 | 1.517% | 4,826 | 4,826 |
| U.S. Bank Corp Community Development Entity | New Market Tax Credit Program | 2044 | 1.00% | 1,045 | 1,045 |
| | | 2044 | 1.00% | 2,205 | 2,205 |
| Total bonds and notes payable | | | | <u>\$ 447,193</u> | <u>\$ 458,661</u> |

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 \$427,443,000 bonds was \$445,543,000 at June 30, 2016, based on a comparison to current interest rates. The bonds are considered to be a Level 2 liability. Included in the bonds and notes payable balance are premiums totaling \$10,203,000 and \$10,717,000 for the fiscal years ended June 30, 2016 and 2015, respectively.

The Dormitory bonds of 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 2002, 2005, 2007, 2011, and 2012 bonds are secured by a security interest in unrestricted gross revenues.

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Debt maturities for the fiscal years ending are as follows:

| <i>(in thousands)</i> | Maturities | Remarketed Debt | Total Debt |
|-----------------------|-------------------|----------------------------|-------------------|
| June 30, | | | |
| 2017 | 11,438 | 1,070 | 12,508 |
| 2018 | 11,913 | 1,115 | 13,028 |
| 2019 | 8,568 | 5,130 | 13,698 |
| 2020 | 10,163 | 4,005 | 14,168 |
| 2021 | 9,078 | 5,730 | 14,808 |
| Thereafter | 276,768 | 102,215 | <u>378,983</u> |
| | | | <u>\$ 447,193</u> |

The Second Series of 2000 and Series B of 2002, Series B of 2005 and Series B of 2007 bonds have remarketing terms and related standby letters of credit which could change the maturity dates. These issues have been included in the above table based on the current terms of the loans. In the event that the remarketing efforts were to fail, the maturities would reflect the terms of the letters of credit as follows:

| <i>(in thousands)</i> | Remarketed Debt |
|-----------------------|----------------------------|
| June 30, | |
| 2017 | 14,973 |
| 2018 | 36,308 |
| 2019 | 34,799 |
| 2020 | 27,260 |
| 2021 | 5,925 |
| Thereafter | <u>-</u> |
| | <u>\$ 119,265</u> |

Lines of Credit

Only July 1, 2014, the University assumed a line of credit previously held by the Pennsylvania Health and Education Corporation (PHEC) as part of the merger of PHEC into Drexel on that date. The line of credit is a term note for a total of \$3,500,000 for equipment purchases that accrues interest based on Libor plus 1.25%. Advances are available 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, 2016 and 2015.

Total unsecured Revolving Credit Facilities (“Facilities”) of \$55,000,000 matures on December 31, 2017, and accrues interest based on Intercontinental Exchange Benchmark Administration “ICE” (subject to a floor of 0.75%) for the University. It can be extended annually based upon the mutual agreement of the University and the bank maintaining the Facilities. At June 30, 2016, the interest rate was 0.75% and there were no amounts outstanding.

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12. Retirement Plans

Defined Benefit and Defined Contribution Plans

The University established the Drexel University Defined Contribution Retirement Plan (“DU DC”) effective April 1, 1972. The DU DC was most recently amended and restated, effective January 1, 2015, to (i) reflect the merger of the Philadelphia Health & Education Corporation Defined Contribution Retirement Plan (“PHEC DC”) with the DU DC and the transfer of its assets and liabilities to the DU DC; (ii) reflect the merger of the Drexel University Tax-Deferred Annuity (“DU TDA”) Plan with the DU DC and the transfer of its assets and liabilities to the DU DC; (iii) incorporate prior amendments to the DU DC; and (iv) make certain other desirable changes. Drexel University is the DU DC administrator. The trustees of the DU DC are Teachers Insurance and Annuity Association - College Retirement Equities Fund, as agent for JP Morgan Chase Bank, N.A. (“TIAA-CREF”), Vanguard Fiduciary Trust Company (“Vanguard”) and Fidelity Management Trust Company (“Fidelity”).

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

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

The University also participates in a contributory retirement plan which provides benefits for certain union employees. The policy is to fund pension costs accrued for these plans. Total retirement plan expense for all plans was \$42,141,525 and \$39,263,000 in 2016 and 2015, respectively.

ANS maintained a separate defined contribution plan (“ANS DC”) that provides for discretionary employee contributions. On December 31, 2015, the ANS DC plan was amended, to cease participation in and all contributions to the ANS DC. Instead, employees of ANS will participate in the DU DC plan. ANS also has merged into the DU DC plan effective as of March 1, 2016. The ANS DC plan was a calendar year plan, with declared employer contributions made at the conclusion of the plan year. Matching contributions were based on a participant’s compensation and allocated to employee accounts annually. Only participants who made 403(b) contributions, who completed 1,000 hours of service, unless their employment ended due to retirement, disability, or death and who were actively employed on the last day of the allocation period were eligible to share in the matching contribution for such allocation period. Employees could receive a grandfathered match of three percent (3%) of their salary if they had either reached the age of 49 and completed at least 10 years of service, or reached the age of 45 and completed at least 15 years of service as of December 31, 2009. The grandfathered match ended effective December 31, 2014. The Academy approved and made contributions totaling \$61,934 and \$84,864 in 2016 and 2015, respectively.

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ANS also maintains a defined benefit pension plan. This plan was frozen by the ANS Board of Trustees effective December 31, 2009, prior to the affiliation agreement with Drexel University on September 30, 2011. The assumptions for the pension liabilities, the accumulated benefit obligation, change in projected benefit obligation, and change in plan assets are as follows:

| <i>(in thousands)</i> | 2016 | 2015 |
|---|------------------|------------------|
| Weighted average assumptions as of June 30 | | |
| Discount rate | 3.90 % | 4.60 % |
| Expected return on plan assets | 6.25 % | 6.50 % |
| Accumulated benefit obligation | | |
| Accumulated benefit obligation at June 30 | \$ 19,908 | \$ 17,562 |
| Change projected in benefit obligation | | |
| Net benefit obligation at June 30 | \$ 17,562 | \$ 16,193 |
| Service costs | 130 | 115 |
| Interest costs | 790 | 697 |
| Actuarial loss | 2,163 | 1,310 |
| Gross benefits paid | <u>(737)</u> | <u>(753)</u> |
| Net benefit obligation at June 30 | <u>\$ 19,908</u> | <u>\$ 17,562</u> |

| <i>(in thousands)</i> | 2016 | 2015 |
|--|-------------------|-------------------|
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | \$ 10,430 | \$ 10,269 |
| Actual return on plan assets | 231 | 80 |
| Employer contributions | 659 | 834 |
| Gross benefits paid | <u>(738)</u> | <u>(753)</u> |
| Fair value of plan assets at June 30 | <u>\$ 10,582</u> | <u>\$ 10,430</u> |
| Fair value of plan assets | \$ 10,582 | \$ 10,430 |
| Benefit Obligation | <u>19,908</u> | <u>17,562</u> |
| Net amount recognized at June 30* | <u>\$ (9,326)</u> | <u>\$ (7,132)</u> |

* These amounts are recognized in the financial statements including the statement of financial position in the "Post-retirement and pension benefits" classification.

Drexel University and Subsidiaries
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The components of net periodic benefit cost are noted below:

| <i>(in thousands)</i> | 2016 | 2015 |
|--|-----------------|-----------------|
| Weighted average assumptions used to determine net periodic benefit costs | | |
| Discount rate | 4.60 % | 4.60 % |
| Expected return on plan assets | 6.50 % | 6.50 % |
| Components of net periodic benefit costs | | |
| Service costs | \$ 130 | \$ 115 |
| Interest costs | 790 | 697 |
| Expected return on assets | (678) | (678) |
| Amortization of actuarial loss | <u>2,610</u> | <u>1,908</u> |
| Net periodic benefit cost | <u>\$ 2,852</u> | <u>\$ 2,042</u> |

As of June 30, 2016 and 2015, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligations were \$19,908,000 and \$17,562,000 at June 30, 2016 and 2015, respectively. The fair value of the plan assets was \$10,582,000 and \$10,430,000 as of June 30, 2016 and 2015, respectively.

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

Expected benefit payments
(in thousands)

| | | |
|-----------|----|-------|
| June 30, | | |
| 2017 | \$ | 879 |
| 2018 | | 1,011 |
| 2019 | | 1,059 |
| 2020 | | 1,098 |
| 2021 | | 1,130 |
| 2022-2026 | | 5,971 |

Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2016 and 2015 by asset category are as follows:

| <i>(in thousands)</i> | 2016 | 2015 |
|--|----------------|----------------|
| Asset category | | |
| Equity securities | 37.7 % | 20.5 % |
| Fixed income securities | 37.4 % | 64.6 % |
| Hedge fund and alternative investments | 20.7 % | 11.1 % |
| Cash | <u>4.2 %</u> | <u>3.8 %</u> |
| | <u>100.0 %</u> | <u>100.0 %</u> |

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

The target composition of the plans assets is characterized as a 34%, 37%, 27%, and 2% allocation between equity, fixed income investments, alternative investments, and cash. The strategy currently utilizes indexed equity funds and fixed income funds, and 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 to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

The following table sets forth by level, within the fair value hierarchy, the ANS pension plan assets at fair value at June 30, 2016 and 2015:

| <i>(in thousands)</i> | 2016 | | | |
|-----------------------------|-----------------|----------------|-----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets at fair value | | | | |
| Cash equivalents | \$ 443 | \$ - | \$ - | \$ 443 |
| Mutual funds | 8,442 | - | - | 8,442 |
| Alternative investments | - | 648 | 1,049 | 1,697 |
| | <u>\$ 8,885</u> | <u>\$ 648</u> | <u>\$ 1,049</u> | <u>\$ 10,582</u> |

| <i>(in thousands)</i> | 2015 | | | |
|-----------------------------|-----------------|----------------|-----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets at fair value | | | | |
| Cash equivalents | \$ 400 | \$ - | \$ - | \$ 400 |
| Mutual funds | 8,277 | - | - | 8,277 |
| Alternative investments | - | 602 | 1,151 | 1,753 |
| | <u>\$ 8,677</u> | <u>\$ 602</u> | <u>\$ 1,151</u> | <u>\$ 10,430</u> |

The following table sets forth a summary of changes in the fair value of ANS plan's Level 3 assets for the years ended June 30, 2016 and 2015:

| <i>(in thousands)</i> | 2016 | 2015 |
|------------------------------------|-----------------|-----------------|
| Assets at beginning of year | \$ 1,151 | \$ 1,221 |
| Dividends and interest | - | - |
| Net realized gain | - | - |
| Net unrealized gain | 31 | 3 |
| Transfers out | <u>(133)</u> | <u>(73)</u> |
| Assets at end of year | <u>\$ 1,049</u> | <u>\$ 1,151</u> |

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Defined Contribution Plan Merger and Asset Transfers

Effective January 1, 2015, the Drexel University Tax-Deferred Annuity Retirement Plan (“DU TDA”) and the Philadelphia Health and Education Corporation Defined Contribution Retirement Plan (“PHEC DC”) were merged into the Drexel University Defined Contribution Retirement Plan (the “Plan”). DU TDA’s transfer into the Plan included participant-directed investments at fair value of \$205,020,000 and receivables from participant contributions of \$981,000 resulting in \$206,001,000 of net assets transferred. PHEC DC’s transfer into the Plan included 12/31/14 participant-directed investments at fair value of \$210,951,000, receivables from participant contributions of \$353,000, receivables from employer contributions of \$630,000, and excess contributions payable of \$521,000 resulting in \$211,413,000 of net assets transferred.

Effective March 1, 2016, the ANS DC plan was merged into the DU DC plan. ANS DC’s transfer into the DU DC plan included participant-directed investments at fair value of \$2,564,804.

13. Other Post-Retirement Benefits

In addition to retirement plan benefits, the University also provides post-retirement benefits to retirees in the form of group life insurance, major medical insurance and tuition remission. All eligible faculty and professional staff members who have completed ten (10) years of full-time consecutive service with the University and are age 55 or older, if hired before September 1, 2013, or who have completed fifteen years of full-time consecutive service with the University and are age 60 or older if hired on or after September 1, 2013, excluding any professional staff member who is affiliated with a collective bargaining unit. Full-time consecutive service (10 or 15 years) is strictly services with Drexel University and does not include any subsidiaries. The University pays up to 50% of the gross cost of the medical plan costs, capped at \$400 per month for retirees and their spouses who retired prior to September 1, 2014 and at \$300 per month for retirees and their spouses who retired on or after September 1, 2014. The retirees have a choice of various providers. The post-retirement health care plan is contributory, and the life insurance plan is noncontributory. On January 1, 2015, the plan was amended to include actively employed College of Medicine faculty and professional staff who had 15 years of consecutive full-time service (since 1998), and were at least 60 years of age.

The net periodic post-retirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to \$6,817,000 and \$3,778,000 respectively, for the years ended 2016 and 2015 and are reflected in the consolidated statements of activities and included in post-retirement benefits in the consolidated statements of financial position.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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

Plans Funded Status

| <i>(in thousands)</i> | 2016 | 2015 |
|--|------------------|------------------|
| Change in benefit obligation | | |
| Benefit obligation, beginning of year | \$ 56,942 | \$ 49,726 |
| Service cost | 3,059 | 2,666 |
| Interest cost | 2,651 | 2,052 |
| Plan amendments | 10,145 | (7,608) |
| Actuarial (loss)/gain | (1,835) | 11,716 |
| Plan participant contributions | 183 | 163 |
| Actual benefits paid | <u>(1,947)</u> | <u>(1,773)</u> |
| Benefit obligation, end of year | <u>69,198</u> | <u>56,942</u> |
| Change in plan assets | | |
| Fair value of plan assets, beginning of year | - | - |
| Employer contributions | 1,765 | 1,610 |
| Plan participant contributions | 182 | 163 |
| Actual benefits paid | <u>(1,947)</u> | <u>(1,773)</u> |
| Fair value of plan assets, end of year | <u>-</u> | <u>-</u> |
| Unfunded status of the plan | <u>\$ 69,198</u> | <u>\$ 56,942</u> |

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

| | | |
|---|-------|-------|
| Discount rate | 4.30% | 4.10% |
| Ultimate retiree health care cost trend | 5.00% | 5.00% |
| Year ultimate trend rate is achieved | 2023 | 2023 |

The liabilities and post-retirement benefit expenditures associated with the 2016 plan activity include the January 1, 2015 plan amendment. This amendment resulted in an additional \$10,145,000 prior service cost associated with the addition of these employees. The 2015 liabilities and post-retirement expenditures reflects a reduction of \$6,900,000 related to plan amendments enacted on September 1, 2013 related to plan eligibility and benefit amounts.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
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For measurement purposes, a 6.75% and a 7.5% annual rate of increase in the per capita cost of covered health care benefits for those over 65 and under 65, respectively, was assumed for 2016 grading down to ultimate rates of 5.0% in the year 2023 and thereafter:

Net Periodic Benefit Cost

| <i>(in thousands)</i> | June 30, | |
|---|------------------|------------------|
| | 2016 | 2015 |
| Components of net periodic benefit cost | | |
| Service cost | \$ 3,059 | \$ 2,666 |
| Interest cost | 2,651 | 2,052 |
| Amortization of: | | |
| Prior service credit | 125 | (1,396) |
| Net loss | <u>1,368</u> | <u>1,727</u> |
| Net periodic benefit cost | <u>\$ 7,203</u> | <u>\$ 5,049</u> |
| Other changes recognized in unrestricted net assets | | |
| Net actuarial (gain) loss | \$ (1,835) | \$ 11,716 |
| Prior service credit | \$ 10,145 | \$ (7,607) |
| Amortization of: | | |
| Prior service cost | (125) | 1,396 |
| Net gain | <u>(1,368)</u> | <u>(1,727)</u> |
| Total recognized in unrestricted net assets | <u>\$ 6,817</u> | <u>\$ 3,778</u> |
| Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets | | |
| Prior service credit | \$ 3,808 | \$ (6,212) |
| Actuarial loss | <u>25,289</u> | <u>28,492</u> |
| Amounts in unrestricted net assets, end of year | <u>\$ 29,097</u> | <u>\$ 22,280</u> |
| Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in fiscal 2017 | | |
| Prior service credit | \$ 125 | |
| Actuarial loss | \$ 1,408 | |

For the fiscal years ended June 30, 2016 and 2015, the effect of a 1% change in the health care cost trend rate is as follows:

| <i>(in thousands)</i> | 2016 | | 2015 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| Effect on net periodic benefit cost | \$ 47 | \$ (43) | \$ 61 | \$ (54) |
| Effect on postretirement benefit obligation | 302 | (293) | 324 | (306) |

Contributions

Expected contributions for the 2017 fiscal year are \$2,454,000.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Estimated future benefit payments:

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

(in thousands)

| June 30, | |
|-----------------|--------|
| 2017 | 2,454 |
| 2018 | 2,722 |
| 2019 | 2,913 |
| 2020 | 3,109 |
| 2021 | 3,265 |
| Thereafter | 19,293 |

14. Professional Liability Insurance

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

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

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2016 and 2015, the University and its subsidiaries recorded gross combined reserves of \$36,054,000 and \$36,140,000, respectively and related recoveries from third party insurers of \$6,668,000 and \$6,256,000 at June 30, 2016 and 2015, respectively. For fiscal years 2016 and 2015, the reserves were discounted at 2% for the layers retained by the University and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2016 and 2015 consolidated statements of financial position. Under the self-insurance program, the University is required by the Commonwealth of Pennsylvania to maintain a malpractice trust fund. At June 30, 2016 and 2015, escrow funds of \$22,580,000 and \$24,573,000, respectively and balanced index funds of \$31,096,000 and \$29,894,000, respectively, were available to fund incurred but not reported liabilities (Note 7).

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

15. Commitments and Contingencies

Healthcare Legislation and Regulation

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

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

Litigation

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

Other Commitments and Contingencies

Prior to July 1, 2014, PHEC maintained 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. Effective July 1, 2014, The University has assumed responsibility for the letter of credit which is renewed annually. There were no amounts outstanding as of June 30, 2016 and 2015.

The University maintains three letters of credit totaling \$2,055,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2016 and 2015.

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, 2018.
- 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, 2018.
- 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, 2019.
- 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 30, 2018.

There were no amounts outstanding on these bond-related letters of credit as of June 30, 2016 and 2015.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

The University also maintains a letter of credit in an amount not to exceed \$287,253 as required by the U.S. Department of Education in connection with Federal student loans. It will expire on May 1, 2017 and is automatically renewed annually unless notified by the University of an election not to renew. There was no amount outstanding as of June 30, 2016.

Business Income Taxes

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

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

For the fiscal years ended June 30, 2016 and 2015, the University recorded \$906,000 and \$1,440,000 as income tax expenses and assigned a functional expense category of institutional support for these expenditures.

16. Related Party Transactions

Prior to July 1, 2014, PHEC had various operating agreements with Tenet which have continued with the University as a result of the merger. Under these agreements, the University acts both as a purchaser and provider of services. Total services purchased from Tenet for the years ended June 30, 2016 and 2015 were \$11,999,000 and \$12,420,000, respectively. These services include charges for various personnel, administrative and support services related to operating the College of Medicine 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 \$23,138,000 and \$23,275,000 for the years ended June 30, 2016 and 2015, respectively, and are mainly included in patient care activities revenue in the accompanying consolidated statements of activities.

Schuylkill Yards

On May 9, 2016, the University entered into a master development agreement (the "Development Agreement") with Brandywine Realty Trust ("BRT"), the sole general partner of Brandywine Operating Partnership, LP. BRT, as master developer, is provided for the rights and obligations, for a multi-phase, multi-component development on approximately 10.11 acres of land (the "Development Site") owned by the University and adjacent to the University's main campus in the University City section of Philadelphia. The overall development, including the Development Site and four adjacent acres comprising the master planned area, as the "Schuylkill Yards Project."

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

The Schuylkill Yards Project is contemplated to be developed in six phases over an approximately 20-year period, excluding extension options, and to consist of an aggregate of approximately 5.0 million of floor area ratio, or FAR, of commercial, office, educational, research, residential, and other facilities, as well as accessory green spaces. Overall, approximately 50% of the FAR would consist of office, educational and research space, and the balance would consist of residential, retail, hospitality and parking.

The University currently anticipates that BRT will commence the construction of the initial phase on or about the first half of 2018 and completion on or about the fourth quarter of 2019. Actual timing and scope of subsequent phases of development will depend on timing and scope of prior phases, third party approvals and design and development-related determinations by the University and BRT. The business structure will be to enter into a 99-year ground lease with BRT for each parcel as it is taken down with the development site.

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

Drexel University/Ben Franklin Technology Partners Seed Fund

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

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

17. 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:

| <i>(in thousands)</i> | June 30, | |
|-----------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| College programs | \$ 41,371 | \$ 39,783 |
| Research and public service | 11,694 | 21,804 |
| Academic support | 2,294 | 6,684 |
| Student services | 14,557 | 15,086 |
| Institutional support | 9,024 | 11,047 |
| Auxiliary enterprises | 41,226 | 23,756 |
| Patient care activities | 4,612 | 3,051 |
| | <u>\$ 124,778</u> | <u>\$ 121,211</u> |

During fiscal year 2016, the University implemented a new space management system and inventoried all of its space. The allocation of operating expenses at June 30, 2016 reflects the new inventory which includes all space at the Academy of Natural Sciences, Center City, and Queen Lane Campuses. The allocation at June 30, 2016 is based on a total 5,362,000 net usable square feet. The allocation used as of June 30, 2015 is based upon the 2014 space survey and a total of 3,492,000 usable square feet.

18. Subsequent Events

The University evaluated events subsequent from June 30, 2016 through October 26, 2016.

University Revenue Refunding Bonds – Series of 2016

In August 2016, the University issued Pennsylvania Higher Educational Facilities Authority, Drexel University Revenue Refunding Bonds, Series of 2016 in the amount of \$117,130,000. The primary purpose of this issue was the current refunding of all of the outstanding Series of 2005A bonds, the advance refunding of all the outstanding Series of 2007A bonds and the advance refunding of all the outstanding College of Medicine, Series of 2007 bonds. The bonds will be maturing between May 1, 2022 through May 1, 2037. The bonds were issued on a parity basis with the University's other outstanding Authority bonds and on a parity basis with the interest rate swap agreement in connection with the Series of 2005B bonds.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Termination of SodexoMAGIC Food Services Contract

On September 19, 2016, the University gave notice of termination of its contractual agreement dated May 21, 2015 for dining services with SodexoMAGIC. The agreement became effective August 25, 2014 and was scheduled to terminate on June 30, 2025. As a result of the termination, SodexoMAGIC will transition its food services operations off-campus by December 10, 2016. The University has recognized deferred revenues totaling \$10,930,000, including \$8,215,000 related to the new dining facility in The Summit property (see Note 10). All of the deferred revenues recorded on the University's Statement of Financial Position related to the current agreement were being amortized over the life of the contract. As a result of the termination, the University is required to refund any unamortized balances as of the stipulated date of November 29, 2016. There is pending litigation between SodexoMAGIC and the University in relation to this agreement. The University is currently negotiating with a new dining services vendor and expects a similar contract to be put in place by December 10, 2016. The new vendor is also anticipated to reimburse the University for the amount of the unamortized capital balances refunded to SodexoMAGIC.

Schedule of Expenditures of Federal Awards

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|-------------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster | | | | | | | |
| DEPARTMENT OF AGRICULTURE | | | | | | | |
| Agricultural Research Service | | | | | | | |
| Agricultural Research - Basic and Applied Research | 10.001 | \$ 13,776 | \$ - | | | \$ 13,776 | - |
| Economic Research Service | | | | | | | |
| Consumer Data and Nutrition Research | 10.253 | 3,888 | - | | | 3,888 | - |
| National Institute of Food and Agriculture | | | | | | | |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | - | 24,587 | Penn State University | 4900-DU-USDA-9703 | 24,587 | - |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | - | 259,928 | The Regents of the University of California | 201403031-01 | 259,928 | 20,313 |
| Agriculture and Food Research Initiative (AFRI) Biomass Research and Development Initiative | 10.310 | - | 20,252 | University of Maryland | 32423-Z5768001 | 20,252 | - |
| Competitive Grants Program (BRDI) | 10.312 | 105,625 | - | | | 105,625 | 53,117 |
| Biomass Research and Development Initiative Competitive Grants Program (BRDI) | 10.312 | - | 114,744 | Ceramatec | LETTER DATED 3/21/13 | 114,744 | 2,094 |
| Food and Nutrition Service | | | | | | | |
| Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects | 10.592 | - | 36 | University of Kentucky Research Foundation | 3048108673-12659/AG3198B100028 | 36 | - |
| TOTAL DEPARTMENT OF AGRICULTURE | | <u>\$ 123,289</u> | <u>\$ 419,547</u> | | | <u>\$ 542,836</u> | <u>\$ 75,524</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|------------------|---------------------|--|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF COMMERCE | | | | | | | |
| National Oceanic and Atmospheric Administration (NOAA) | | | | | | | |
| Sea Grant Support | 11.417 | \$ - | \$ 46,319 | Penn State University Susquehanna River Basin Commission | 5040-ANSDU-NOAA- 0063 AGREEMENT DATE 2/19/2015 | \$ 46,319 | - |
| Sea Grant Support | 11.417 | - | 2,615 | | | 2,615 | - |
| Climate and Atmospheric Research | 11.431 | - | 22,744 | Columbia University | GG012355 | 22,744 | - |
| Climate and Atmospheric Research | 11.431 | - | 50,949 | Columbia University New Jersey Sea Grant | GG001959 | 50,949 | - |
| Marine Debris Program | 11.999 | - | (9,356) | Consortium | 694-7900-7553 | (9,356) | - |
| National Institute of Standards and Technology (NIST) | | | | | | | |
| Measurement and Engineering Research and Standards Science, Technology, Business and/or Education Outreach | 11.609 | 45,144 | - | | | 45,144 | - |
| | 11.620 | 45,366 | - | | | 45,366 | - |
| TOTAL DEPARTMENT OF COMMERCE | | <u>\$ 90,510</u> | <u>\$ 113,271</u> | | | <u>\$ 203,781</u> | <u>\$ -</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|---------------------------------------|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF DEFENSE | | | | | | | |
| Department of the Navy, Office of the Chief of Naval Research | | | | | | | |
| Basic and Applied Scientific Research | 12.300 | \$ 2,286,477 | \$ - | | | \$ 2,286,477 | \$ 281,467 |
| Basic and Applied Scientific Research | 12.300 | - | 64,507 | Carnegie Mellon University | 1150112-292646 MOD 7 SUB#564817 PO | 64,507 | - |
| Basic and Applied Scientific Research | 12.300 | - | 144,340 | University of Pennsylvania | #3617488 | 144,340 | - |
| U.S. Army Medical Command | | | | | | | |
| Military Medical Research and Development | 12.420 | 549,796 | - | Department of Army Trustees of Boston | W81XWH-15-1-0324 | 549,796 | 26,158 |
| Military Medical Research and Development | 12.420 | - | 77,115 | University | 4500001398 | 77,115 | - |
| Basic Scientific Research | 12.431 | 2,715,746 | - | | | 2,715,746 | 1,322,528 |
| Office of the Secretary of Defense | | | | | | | |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | 338,743 | - | | | 338,743 | 338,743 |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | - | 1,885 | University of Delaware | 29613 | 1,885 | - |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | - | 68,139 | University of Delaware | W911NF1220022/4214 6 | 68,139 | - |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | - | 151,914 | University of Delaware | W911NF1220022/3866 0 | 151,914 | - |
| Department of the Air Force, Materiel Command | | | | | | | |
| Air Force Defense Research Sciences Program | 12.800 | \$ 52,962 | \$ - | | | \$ 52,962 | - |
| Air Force Defense Research Sciences Program | 12.800 | - | 22,082 | Temple University | FA9550-13-1-0124 / 253388 | 22,082 | - |
| Air Force Defense Research Sciences Program | 12.800 | - | 6,163 | University of Delaware | 28750 | 6,163 | - |
| Research and Development Cluster (continued) | | | | | | | |
| Advanced Research Projects Agency | | | | | | | |
| Research and Technology Development | 12.910 | 37,541 | - | | | 37,541 | 19,864 |
| Research and Technology Development | 12.910 | - | 60,417 | University of Delaware | 42527 | 60,417 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|------------------------------------|-------------|---------------------|---------------------|----------------------------|---|---------------------------|---------------------------------|
| Department of the Army | 12.999 | 541,982 | - | | | 541,982 | 282,350 |
| Department of the Navy | 12.999 | 62,348 | - | | | 62,348 | - |
| US Department of Defense | 12.999 | 66,580 | - | | | 66,580 | - |
| | 12.999 | - | 102,770 | CFD Research Corporation | 20120532 | 102,770 | - |
| | 12.999 | - | 587,963 | InfraScan, Inc. | W911QY-14-C-0082 | 587,963 | - |
| | 12.999 | - | 3,699 | RDRtec | 4502-DREX-2016-01 | 3,699 | - |
| | 12.999 | - | 41,057 | General Sciences Inc. | | 41,057 | - |
| | 12.999 | - | 132,729 | S12 Technologies, Inc. | S12-2015-2064-001 | 132,729 | - |
| | 12.999 | - | 43,000 | Temple University | FA9550-13-1-0124 | 43,000 | - |
| | 12.999 | - | 342 | University of Pennsylvania | 560858 | 342 | - |
| | 12.999 | - | 3,245 | Ventura Solutions, Inc. | 1044-20/TTO13-01 | 3,245 | - |
| | 12.999 | - | 7,129 | Versar | PO#009275 | 7,129 | - |
| TOTAL DEPARTMENT OF DEFENSE | | <u>\$ 6,652,175</u> | <u>\$ 1,518,496</u> | | | <u>\$ 8,170,671</u> | <u>\$ 2,271,110</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|-------------------|---------------------|------------------------------|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| FISH AND WILDLIFE SERVICE (FWS) | | | | | | | |
| Fish and Wildlife Management Assistance | 15.608 | \$ (70) | \$ - | | | \$ (70) | - |
| Wildlife Without Borders-Africa | 15.651 | 139,336 | - | | | 139,336 | - |
| US GEOLOGICAL SURVEY (USGS) | 15.999 | \$ (1,362) | \$ - | | | \$ (1,362) | - |
| TOTAL FWS and USGS | | <u>\$ 137,904</u> | <u>\$ -</u> | | | <u>\$ 137,904</u> | <u>\$ -</u> |
| DEPARTMENT OF JUSTICE | | | | | | | |
| Office for Victims of Crime | | | | | | | |
| Crime Victim Assistance/Discretionary Grants | 16.582 | \$ 27,159 | \$ - | | | \$ 27,159 | - |
| Bureau of Justice Assistance | | | | | | | |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | - | 49,491 | Commonwealth of Pennsylvania | 4300472489 | 49,491 | 12,052 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | - | 59,949 | Commonwealth of Pennsylvania | 4300468801 | 59,949 | 4,456 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | - | 182,894 | Commission on Crime | 2011/2012-JG/MH-03ST-24923 | 182,894 | 75,263 |
| Juvenile Justice Education Collaboration Assistance | 16.829 | - | 112,097 | City of Philadelphia | 2014-JZ-FX-K003 | 112,097 | - |
| US Department of Justice | 16.999 | 9,022 | - | | | 9,022 | - |
| TOTAL DEPARTMENT OF JUSTICE | | <u>\$ 36,181</u> | <u>\$ 404,431</u> | | | <u>\$ 440,612</u> | <u>\$ 91,771</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------|---------------------|-----------------------------------|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF STATE | | | | | | | |
| Bureau of Educational and Cultural Affairs Professional and Cultural Exchange Programs - Citizen Exchanges | 19.415 | \$ - | \$ 37,335 | American Alliance of Museums | S-ECAGD-13-CA-116 | \$ 37,335 | - |
| TOTAL DEPARTMENT OF STATE | | <u>\$ -</u> | <u>\$ 37,335</u> | | | <u>\$ 37,335</u> | <u>\$ -</u> |
| DEPARTMENT OF TRANSPORTATION | | | | | | | |
| Federal Aviation Administration (FAA) | | | | | | | |
| Aviation Research Grants | 20.108 | \$ 199,043 | \$ - | | | \$ 199,043 | - |
| Air Transportation Centers of Excellence | 20.109 | 105,834 | - | | | 105,834 | 89,871 |
| | 20.999 | 110,855 | - | | | 110,855 | 11,649 |
| Federal Highway Administration (FHWA) | | | | | | | |
| Highway Research and Development Program | 20.200 | 30,451 | - | | | 30,451 | - |
| | 20.999 | 178,187 | - | | | 178,187 | 24,464 |
| Federal Motor Carrier Safety Administration (FMCSA) | | | | | | | |
| Motor Carrier Research and Technology Programs | 20.239 | - | 30,228 | Virginia Polytechnic Institute | 451060-19378 | 30,228 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|-------------------|---------------------|--|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| Pipeline and Hazardous Materials Safety Administration | | | | | | | |
| Technical Assistance Grants | 20.710 | - | 29,293 | Clean Air Council National Academy of Science | AGREEMENT SIGNED 7/20/2015 | 29,293 | - |
| Department of Transportation | | | 73,159 | Pennoni Associates, Inc. | HR 12-103 | 73,159 | - |
| | 20.999 | - | 6,347 | Pennoni Associates, Inc. | WVDH1426 | 6,347 | - |
| | 20.999 | - | 47,046 | Inc. | RTGR1502-001 | 47,046 | - |
| | 20.999 | - | 3,626 | Rutgers University | 4-36773-10223 | 3,626 | 2,878 |
| TOTAL DEPARTMENT OF TRANSPORTATION | | <u>\$ 624,370</u> | <u>\$ 189,699</u> | | | <u>\$ 814,069</u> | <u>\$ 128,862</u> |
| NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) | | | | | | | |
| Science | 43.001 | \$ 244,204 | \$ - | California Institute of Technology | 1519224 | \$ 244,204 | \$ 19,349 |
| Science | 43.001 | - | 20,023 | Georgia Institute of Technology | RD368-G2 | 20,023 | - |
| Aeronautics | 43.002 | - | 112,012 | | | 112,012 | - |
| Education | 43.008 | 105,377 | - | | | 105,377 | - |
| Education | 43.008 | - | 5,442 | Penn State University Structured Materials Industries, Inc. | 4498-DU-NASA-K74H | 5,442 | - |
| NASA | 43.999 | - | 137,537 | | NNX15CG10C | 137,537 | - |
| TOTAL NASA | | <u>\$ 349,581</u> | <u>\$ 275,014</u> | | | <u>\$ 624,595</u> | <u>\$ 19,349</u> |
| NATIONAL ENDOWMENT FOR THE ARTS (NEA) | | | | | | | |
| Promotion of the Arts - Grants to Organizations and Individuals | 45.024 | \$ (1,719) | \$ - | | | \$ (1,719) | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|-------------------|---------------------|-------------------------------------|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| NATIONAL ENDOWMENT FOR THE HUMANITIES (NEH) | | | | | | | |
| Promotion of the Humanities - Professional Development | 45.163 | 169,425 | - | | | 169,425 | - |
| INSTITUTE OF MUSEUM AND LIBRARY SCIENCES (IMLS) | | | | | | | |
| Museums for America | 45.301 | 39,957 | - | | | 39,957 | - |
| National Leadership Grants | 45.312 | 195,719 | - | | | 195,719 | 5,369 |
| Laura Bush 21st Century Librarian Program | 45.313 | 227,929 | - | | | 227,929 | 15,281 |
| TOTAL NEA, NEH AND IMLS | | <u>\$ 631,311</u> | <u>\$ -</u> | | | <u>\$ 631,311</u> | <u>\$ 20,650</u> |
| NATIONAL SCIENCE FOUNDATION | | | | | | | |
| Engineering Grants | 47.041 | \$ 3,177,217 | \$ - | | | \$ 3,177,217 | - |
| Engineering Grants | 47.041 | - | 766 | Children's Hospital of Philadelphia | 27065-212780415-79 | 766 | - |
| Engineering Grants | 47.041 | - | 24,990 | Children's Hospital of Philadelphia | 27065-212780416-92 | 24,990 | - |
| Engineering Grants | 47.041 | - | 42,742 | epoXtal LLC | 1549668 | 42,742 | - |
| Engineering Grants | 47.041 | - | 33,527 | University of California, San Diego | 30037642 | 33,527 | - |
| Engineering Grants | 47.041 | - | 76,240 | University of Wisconsin | 489K904 | 76,240 | - |
| Mathematical and Physical Sciences | 47.049 | 2,483,226 | | Northwestern University | SP0029921-PROJ009948 | 2,483,226 | (16,366) |
| Mathematical and Physical Sciences | 47.049 | - | 74,476 | University of Georgia | RR181-267/4945606 | 74,476 | - |
| Mathematical and Physical Sciences | 47.049 | - | 78,603 | | | 78,603 | - |
| Mathematical and Physical Sciences | 47.049 | - | - | | | | - |
| Geosciences | 47.050 | 277,239 | - | | | 277,239 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| NATIONAL SCIENCE FOUNDATION (continued) | | | | | | | |
| Geosciences | 47.050 | - | 8,734 | Board of Supervisors of Louisiana State Illinois State Museum | 98335 | 8,734 | - |
| Geosciences | 47.050 | - | 12,502 | Society | EAR-0948652 | 12,502 | - |
| Computer and Information Science and Engineering | 47.070 | 2,797,574 | - | | | 2,797,574 | 16,503 |
| Computer and Information Science and Engineering | 47.070 | - | 60,228 | University of Arizona | 229749 | 60,228 | - |
| Computer and Information Science and Engineering | 47.070 | - | 45,353 | University of Michigan | 3002984284 | 45,353 | - |
| Biological Sciences | 47.074 | 877,959 | - | | | 877,959 | - |
| Biological Sciences | 47.074 | - | (15,738) | Duke University | DBI-1147166 | (15,738) | - |
| Biological Sciences | 47.074 | - | 48,256 | Neon, Inc | 1010-216-AQU NYBG-NYBG-1304933-1-ANSD | 48,256 | - |
| Biological Sciences | 47.074 | - | 18,756 | New York Botanical University of North | | 18,756 | - |
| Biological Sciences | 47.074 | - | 148,184 | Carolina at Chapel Hill University of | 5103101 564812/10042268/1610 | 148,184 | - |
| Biological Sciences | 47.074 | - | 29,344 | Pennsylvania | 3 | 29,344 | - |
| Social, Behavioral, and Economic Sciences | 47.075 | 70,533 | - | | | 70,533 | - |
| Education and Human Resources | 47.076 | 3,139,945 | - | | | 3,139,945 | 677,119 |
| Education and Human Resources | 47.076 | - | 15,197 | | | 15,197 | - |
| Education and Human Resources | 47.076 | - | (3,709) | Bryn Mawr College Center for Aquatic Sciences | 2-46785 | (3,709) | - |
| Education and Human Resources | 47.076 | - | 22,404 | | DRL-0840230 SIGNED AGREEMENT 9/25/2015 | 22,404 | - |
| Education and Human Resources | 47.076 | - | 9,386 | Lincoln University Museum of Science, Inc. | AGR DATE 12/5/2013 | 9,386 | - |
| Education and Human Resources | 47.076 | - | 742 | Research Foundation of the State of University | 170-1113463-66040 | 742 | - |
| Office of International Science and Engineering | 47.079 | 10,039 | - | | | 10,039 | - |
| Office of International Science and Engineering | 47.079 | - | (430) | | | (430) | - |
| Office of International Science and Engineering | 47.079 | - | 203,795 | CRDF Global The Regents of the University of California | OISE-14-60109-0 2155 G RA906 | 203,795 | 13,125 |
| Office of International Science and Engineering | 47.079 | - | 10,557 | U.S. Civilian Research & Development | OISE-16-62115-0 | 10,557 | - |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|----------------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| NATIONAL SCIENCE FOUNDATION (continued) | | | | | | | |
| Office of Cyberinfrastructure | 47.080 | - | 86,773 | University of North Carolina | 5-37142 | 86,773 | - |
| Trans-NSF Recovery Act Research Support | 47.082 | 78,100 | - | | | 78,100 | 75,108 |
| National Science Foundation | 47.999 | 313,791 | - | | | 313,791 | - |
| | | - | 19,638 | NORC at the University of Chicago | 7788-DREXEL.01 | 19,638 | - |
| TOTAL NATIONAL SCIENCE FOUNDATION | | <u>\$ 13,225,623</u> | <u>\$ 1,051,316</u> | | | <u>\$ 14,276,939</u> | <u>\$ 765,489</u> |
| DEPARTMENT OF VETERANS AFFAIRS | | | | | | | |
| Department of Veterans Affairs | 64.999 | \$ 11,250 | \$ - | | | \$ 11,250 | - |
| TOTAL DEPARTMENT OF VETERANS AFFAIRS | | <u>\$ 11,250</u> | <u>\$ -</u> | | | <u>\$ 11,250</u> | <u>\$ -</u> |
| ENVIRONMENTAL PROTECTION AGENCY | | | | | | | |
| Office of Water | | | | | | | |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | \$ - | \$ 31,042 | Montana Department of Environmental | 211135 | \$ 31,042 | - |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | - | 1,349 | Water Assessment Association | Agreement Dated 4/19/13 | 1,349 | - |
| Regional Wetland Program Development Grants | 66.461 | - | (912) | Barnegat Bay National Estuary Program Partnership for the | USEPAREGION2FY10 | (912) | - |
| Regional Wetland Program Development Grants | 66.461 | - | (1,051) | Delaware Estuary Partnership for the | PDE-210-01 | (1,051) | - |
| Regional Wetland Program Development Grants | 66.461 | - | 36,365 | Delaware Estuary | PDE-235-01 | 36,365 | - |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|------------------|---------------------|---------------------------------------|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| ENVIRONMENTAL PROTECTION AGENCY (continued) | | | | | | | |
| Office of Research and Development (ORD) | | | | | | | |
| P3 Award: National Student Design Competition for Sustainability | 66.516 | 13,347 | - | | | 13,347 | - |
| Office of the Administrator | | | | | | | |
| Performance Partnership Grants | 66.605 | - | (150) | New Jersey Sea Grant Consortium | SR12-005 | (150) | - |
| Performance Partnership Grants | 66.605 | - | 45,030 | State of Maine, Department of | 06A20151130*1934/VC | 45,030 | - |
| Office of Chemical Safety and Pollution Prevention | | | | | | | |
| TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | - | (1,760) | Versar | PO#008430 | (1,760) | - |
| Environmental Protection Agency | | | | | | | |
| | 66.999 | - | 36,288 | Barnegat Bay National Estuary Program | BBP-WPDGFY10-ANSD-01 | 36,288 | - |
| | 66.999 | - | 2,640 | Environmental Fuel Research | AGREEMENT EFF. 7/01/14 | 2,640 | - |
| TOTAL ENVIRONMENTAL PROTECTION AGENCY | | <u>\$ 13,347</u> | <u>\$ 148,841</u> | | | <u>\$ 162,188</u> | <u>\$ -</u> |
| NUCLEAR REGULATORY COMMISSION | | | | | | | |
| U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | 77.008 | \$ (122) | \$ - | | | \$ (122) | - |
| TOTAL NUCLEAR REGULATORY COMMISSION | | <u>\$ (122)</u> | <u>\$ -</u> | | | <u>\$ (122)</u> | <u>\$ -</u> |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF ENERGY | | | | | | | |
| Office of Science Financial Assistance Program | 81.049 | \$ 1,234,357 | \$ - | | | \$ 1,234,357 | \$ 348,404 |
| Office of Science Financial Assistance Program | 81.049 | - | 35,019 | Advanced Cooling Technologies Inc | CONTRACT#23547 : DE-SC0013821 | 35,019 | - |
| Office of Science Financial Assistance Program | 81.049 | - | 7,632 | Battelle Energy Alliance, LLC | 00098778 | 7,632 | - |
| Office of Science Financial Assistance Program | 81.049 | - | 14,365 | Kent State University | 440661-DREX | 14,365 | - |
| Office of Science Financial Assistance Program | 81.049 | - | 101,276 | Research Partnership to Secure Energy for | DE-AC26-07NT42677 | 101,276 | - |
| Office of Science Financial Assistance Program | 81.049 | - | 249,851 | Temple University | 254998 | 249,851 | - |
| Office of Science Financial Assistance Program | 81.049 | - | 1,854 | The Regents of the University of California | 6951370 | 1,854 | - |
| Office of Science Financial Assistance Program | 81.049 | - | 22,595 | University of Minnesota | A004163701 | 22,595 | - |
| Conservation Research and Development | 81.086 | 40,289 | | | | 40,289 | - |
| Conservation Research and Development | 81.086 | - | 203,146 | Penn State University | 4342-DU-DOE-4261 LETTER DATED 5/23/14 | 203,146 | 28,036 |
| Renewable Energy Research and Development | 81.087 | - | 81,515 | Ceramatec | | 81,515 | - |
| Department of Energy | | | | | | | |
| | 81.999 | - | 15,650 | New Jersey Institute of Technology | 996313 | 15,650 | - |
| | 81.999 | - | 50,608 | University of California Los Angeles | 0190 S NB929 | 50,608 | - |
| TOTAL DEPARTMENT OF ENERGY | | <u>\$ 1,274,646</u> | <u>\$ 783,511</u> | | | <u>\$ 2,058,157</u> | <u>\$ 376,440</u> |
| DEPARTMENT OF EDUCATION | | | | | | | |
| Office of Postsecondary Education | | | | | | | |
| Higher Education - Institutional Aid | 84.031 | \$ - | \$ 128,733 | University of Texas at El Paso | 2014055636 | \$ 128,733 | - |
| Fund for the Improvement of Postsecondary Education | 84.116 | 51,378 | - | | | 51,378 | 4,073 |
| Fund for the Improvement of Postsecondary Education | 84.116 | - | 847 | San Diego State University | 56404AP40127802211 | 847 | - |
| Minority Science and Engineering Improvement | 84.120 | - | 48,942 | Community College of Philadelphia | P120A130035 | 48,942 | - |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|------------------|---------------------|--|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF EDUCATION (continued) | | | | | | | |
| Institute of Education Sciences | | | | | | | |
| Education Research, Development and Dissemination | 84.305 | - | 10,277 | Children's Hospital of Philadelphia | 327251 | 10,277 | - |
| Research in Special Education | 84.324 | - | 10 | University of Kentucky Research Foundation | R324A110204 | 10 | - |
| Office of Postsecondary Education | | | | | | | |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | - | 60,178 | Philadelphia School District | 570068 | 60,178 | - |
| Office of Innovation and Improvement | | | | | | | |
| School Leader Recruitment and Support (formerly School Leadership) | 84.363 | - | 36,861 | Lehigh University | 542344-78003 | 36,861 | - |
| TOTAL DEPARTMENT OF EDUCATION | | <u>\$ 51,378</u> | <u>\$ 285,848</u> | | | <u>\$ 337,226</u> | <u>\$ 4,073</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| Centers for Disease Control and Prevention | | | | | | | |
| Birth Defects and Developmental Disabilities - Prevention and Surveillance | 93.073 | \$ - | \$ 24,766 | Johns Hopkins University | 2001396285, AWARD#U01DD00746 | \$ 24,766 | - |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Well-Integrated Screening and Evaluation for Women Across the Nation | 93.074 | - | (2,707) | Pennsylvania Department of Health | 440007960 | (2,707) | - |
| | 93.094 | - | 5,808 | Pennsylvania Department of Health | PO#4300307009 | 5,808 | - |
| Food and Drug Administration | | | | | | | |
| Food and Drug Administration_Research | 93.103 | - | 25,551 | Children's Hospital of Philadelphia | ACTIVITY321022 | 25,551 | - |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| Health Resources and Services Administration | | | | | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 65,229 | - | | | 65,229 | - |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | - | 76,714 | The Regents of the University of California | 1638 G SA129 | 76,714 | - |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | - | 23,641 | The Regents of the University of California | 2000 G TJ481 | 23,641 | - |
| National Institutes of Health | | | | | | | |
| Environmental Health | 93.113 | 556,531 | - | | | 556,531 | 79,217 |
| Environmental Health | 93.113 | - | 4 | Johns Hopkins University | 2000982389 | 4 | - |
| Environmental Health | 93.113 | - | 32,085 | Johns Hopkins University | 7R01ES023780-03 | 32,085 | - |
| Environmental Health | 93.113 | - | 16,091 | University of California, Davis | 2015000641-02 | 16,091 | - |
| Environmental Health | 93.113 | - | (5,275) | University of Southern California | S4527412 | (5,275) | - |
| Centers for Disease Control and Prevention | | | | | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | - | 79,828 | Indiana University | 5R01ES021735-04 | 79,828 | - |
| National Institutes of Health | | | | | | | |
| Oral Diseases and Disorders Research | 93.121 | 61,782 | - | | | 61,782 | - |
| Office of Minority Health | | | | | | | |
| Community Programs to Improve Minority Health Grant Program | 93.137 | - | 50 | District 1199C Training & Upgrading Fund | AGREEMENT 1-15-2016 | 50 | - |
| Community Programs to Improve Minority Health Grant Program | 93.137 | - | 34,280 | District 1199C Training & Upgrading Fund | CPIMP151091 | 34,280 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Human Genome Research | 93.172 | - | 262,389 | The Regents of the University of California | 8037SC | 262,389 | - |
| Human Genome Research | 93.172 | - | 19,329 | The Wistar Institute | 24831-02330 | 19,329 | - |
| Human Genome Research | 93.172 | - | 4,493 | University of California, San | ADVANCE ACCOUNT | 4,493 | - |
| Research Related to Deafness and Communication Disorders | 93.173 | 682,039 | - | | | 682,039 | 82,447 |
| Research Related to Deafness and Communication Disorders | 93.173 | - | 15,177 | Massachusetts Eye and Ear Infirmarv | 5U01DC010371-05 | 15,177 | - |
| Research Related to Deafness and Communication Disorders | 93.173 | - | 2,479 | Monell Chemical Senses Center | NIH044A01KZHAO | 2,479 | - |
| Research Related to Deafness and Communication Disorders | 93.173 | - | 23,082 | Ohio State University | 60051959 | 23,082 | - |
| Research Related to Deafness and Communication Disorders | 93.173 | - | 15,450 | The Medical College of Wisconsin, Inc. | 5R01DC007903-08 | 15,450 | - |
| Research Related to Deafness and Communication Disorders | 93.173 | - | 8,469 | University of Pennsylvania | 561592 | 8,469 | - |
| Agency for Healthcare Research and Quality | | | | | | | |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | 41,991 | - | | | 41,991 | - |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | - | 33,033 | Boston Children's Hosnital | RSTFD0000612033 | 33,033 | - |
| National Institutes of Health | | | | | | | |
| Mental Health Research Grants | 93.242 | 3,482,003 | - | | | 3,482,003 | 621,407 |
| Mental Health Research Grants | 93.242 | - | 125,602 | Children's Hospital of Philadelphia | 2R56MH058250-16 | 125,602 | - |
| Mental Health Research Grants | 93.242 | - | 487,333 | Florida State University | R01761/R01787 | 487,333 | 62,823 |
| Mental Health Research Grants | 93.242 | - | 1,320 | Oregon Research Institute | RO1-MH 086582 | 1,320 | - |
| Mental Health Research Grants | 93.242 | - | 1,721 | Temple University | P30MH092177 | 1,721 | - |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health (continued) | | | | | | | |
| Mental Health Research Grants | 93.242 | - | 4,808 | Temple University | 390463-04400-7342-02 | 4,808 | - |
| Mental Health Research Grants | 93.242 | - | 6,984 | Temple University | 239415 | 6,984 | - |
| Mental Health Research Grants | 93.242 | - | 10,464 | Temple University | 360962-04400-7342-02 | 10,464 | - |
| Mental Health Research Grants | 93.242 | - | 40,869 | Temple University | 258152-DREXEL | 40,869 | - |
| Mental Health Research Grants | 93.242 | - | 111,282 | Temple University | 361072-04400-7341-02 | 111,282 | - |
| Mental Health Research Grants | 93.242 | - | 135,916 | Temple University | 361186-04400-7341-02 | 135,916 | - |
| Mental Health Research Grants | 93.242 | - | 155,894 | Temple University | 5P30MH092177-04 | 155,894 | 46,127 |
| Mental Health Research Grants | 93.242 | - | 14,087 | University of Pennsylvania | 565091 | 14,087 | - |
| Substance Abuse and Mental Health Services Administration | | | | | | | |
| Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | - | 8,339 | Pennsylvania Department of Drug | 4400007960 | 8,339 | - |
| Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | - | 216,929 | Pennsylvania | 1-U79-SM061750-01 | 216,929 | - |
| Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | - | 23,435 | Department of Human Philadelphia Mental Health Care | 100-1065 | 23,435 | - |
| Public Health Service | | | | | | | |
| Public Health Training Centers Program | 93.249 | - | 90,847 | University of Pittsburgh | 0044318(125309-1) | 90,847 | - |
| National Institutes of Health | | | | | | | |
| Alcohol Research Programs | 93.273 | 238,999 | - | | | 238,999 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | 3,482,817 | - | | | 3,482,817 | 724,466 |
| Drug Abuse and Addiction Research Programs | 93.279 | - | 2,399 | Fordham University | LETTER DATED 12/5/2014 | 2,399 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | - | 26,116 | Penn State University | DRE DA035240 | 26,116 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | - | 110,534 | Temple University | 360764-04760-02 | 110,534 | - |

Drexel University and Subsidiaries
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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | - | 3,053 | Thomas Jefferson University | 080-04000-S09501 | 3,053 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | - | (8,805) | University of Pennsylvania | U10-DA-013043-15S1/565060 | (8,805) | - |
| Drug Abuse and Addiction Research Programs | 93.279 | - | 53,954 | University of Pennsylvania | 568232/10052429/18469 00 | 53,954 | - |
| Centers for Disease Control and Prevention | | | | | | | |
| Centers for Disease Control and Prevention- Investigations and Technical Assistance | 93.283 | - | 3,749 | Association of Schools of Public Health | LETTER DATED 8/5/15 | 3,749 | - |
| Centers for Disease Control and Prevention- Investigations and Technical Assistance | 93.283 | - | (1,396) | Pennsylvania Department of Health | 4300375205 | (1,396) | - |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | 157,885 | - | | | 157,885 | - |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | - | (546) | Thomas Jefferson University | 080-23000-502501 | (546) | - |
| Minority Health and Health Disparities Research | 93.307 | 193,794 | - | | | 193,794 | - |
| Minority Health and Health Disparities Research | 93.307 | - | 453,511 | University of Michigan | 3002467248 | 453,511 | - |
| Trans-NIH Research Support | 93.310 | 8,134 | - | | | 8,134 | - |
| Nursing Research | 93.361 | - | 14,558 | ECOG-ACRIN Medical Research Foundation | SUBCONTRACT DATED APRIL 2016 | 14,558 | - |
| Nursing Research | 93.361 | - | 63,726 | Smart Activities of Daily Living LLC | 1 R41 NR15191-01 | 63,726 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Nursing Research | 93.361 | - | 17,946 | University of Pennsylvania | 560145 | 17,946 | - |
| Cancer Cause and Prevention Research | 93.393 | 611,277 | - | | | 611,277 | - |
| Cancer Cause and Prevention Research | 93.393 | - | 31,913 | University of Pennsylvania | 560241 | 31,913 | - |
| Cancer Detection and Diagnosis Research | 93.394 | 882,380 | - | | | 882,380 | 64,549 |
| Cancer Detection and Diagnosis Research | 93.394 | - | 40,404 | ECOG-ACRIN Medical Research Foundation | U24CA196172-01-DREX1 | 40,404 | - |
| Cancer Detection and Diagnosis Research | 93.394 | - | 7,370 | HealthPartners | X1301200DREX | 7,370 | - |
| Cancer Detection and Diagnosis Research | 93.394 | - | 54,165 | Institute for Education HealthPartners | R01CA188892 | 54,165 | - |
| Cancer Detection and Diagnosis Research | 93.394 | - | 19,691 | Institute for Education Thomas Jefferson University | AGR.DATE 8/27/2014 | 19,691 | - |
| Cancer Treatment Research | 93.395 | 158,548 | - | | | 158,548 | - |
| Cancer Treatment Research | 93.395 | - | 16,377 | Alliance Discovery | R43CA183362-01A1 | 16,377 | - |
| Cancer Treatment Research | 93.395 | - | 62,312 | ECOG-ACRIN Medical Research Foundation | 1UG1CA189828-01-DREX1 | 62,312 | - |
| Cancer Treatment Research | 93.395 | - | 311,232 | ECOG-ACRIN Medical Research Foundation | U10CA180820-01-DRFX1 | 311,232 | - |
| Cancer Treatment Research | 93.395 | - | 214,047 | The Wistar Institute | 25111-02-319 | 214,047 | - |
| Cancer Treatment Research | 93.395 | - | 66,869 | Thomas Jefferson University | 080-30000-S18301 | 66,869 | - |
| Cancer Biology Research | 93.396 | 189,700 | - | | | 189,700 | - |
| Cancer Biology Research | 93.396 | - | 107,797 | Old Dominion University | 16-193-100578-010 | 107,797 | - |
| Cancer Biology Research | 93.396 | - | (14,189) | The Wistar Institute | 24991-02-330 | (14,189) | - |
| Cancer Centers Support Grants | 93.397 | - | 31,528 | Thomas Jefferson University | 080-03500-PB0816 | 31,528 | - |
| Cancer Research Manpower | 93.398 | 262,739 | - | | | 262,739 | - |
| Cancer Control | 93.399 | 717,601 | - | | | 717,601 | 717,601 |
| Cancer Control | 93.399 | - | 136,023 | ECOG-ACRIN Medical Research Foundation | 1UG1CA189828-01-DREXE1 | 136,023 | - |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| Health Resources and Services Administration | | | | | | | |
| Public Health Training Centers Program | 93.516 | - | 81,665 | University of Pittsburgh | 0044318(126605-1) | 81,665 | - |
| National Institutes of Health | | | | | | | |
| ARRA - Trans-NIH Recovery Act Research Support | 93.701 | - | 12,614 | Thomas Jefferson University | TJUP020889512 | 12,614 | - |
| Office of the Secretary | | | | | | | |
| ARRA - Health Information Technology Professionals in Health Care | 93.721 | - | 6,062 | Johns Hopkins University | 2002745442 | 6,062 | - |
| Centers for Disease Control and Prevention | | | | | | | |
| State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | 93.757 | - | 185,890 | City of Philadelphia-Department of Public | 1520522 | 185,890 | - |
| National Institutes of Health | | | | | | | |
| Cardiovascular Diseases Research | 93.837 | 1,044,290 | - | | | 1,044,290 | - |
| Cardiovascular Diseases Research | 93.837 | - | 3,715 | University of Columbia | GG010203 | 3,715 | - |
| Cardiovascular Diseases Research | 93.837 | - | 110,400 | University of Michigan | 3003020240 | 110,400 | - |
| Cardiovascular Diseases Research | 93.837 | - | 277,389 | University of Michigan | 3001283550 | 277,389 | - |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | 792,602 | - | | | 792,602 | 207,005 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 1,952,585 | - | | | 1,952,585 | 20,975 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | - | 122,716 | Queens University | IU01DK103271 | 122,716 | - |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | - | 146,706 | Queens University | SUBAWARD NO. 1 562197 | 146,706 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | 5,338,396 | - | | | 5,338,396 | 699,782 |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|---|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 128,551 | Cornell University | 67362-9896 | 128,551 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 30,202 | University of Alabama at Birmingham | 000426787-007 | 30,202 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | (6,273) | University of Illinois | 2010-00275-01 | (6,273) | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 44,618 | University of Miami | 66951N | 44,618 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 8,656 | University of Michigan | 3003918633 | 8,656 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 66,567 | University of Pennsylvania | 558594 | 66,567 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 32,992 | University of Pennsylvania | 564657 | 32,992 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | 127,314 | University of South Carolina | 15-2732 | 127,314 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | - | (1,298) | University of Vermont | 23801 | (1,298) | - |
| Allergy and Infectious Diseases Research | 93.855 | 2,452,686 | - | | | 2,452,686 | 9,561 |
| Allergy and Infectious Diseases Research | 93.855 | - | 14,994 | Children's Hospital of Philadelphia | 8900730615 | 14,994 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 78,238 | Columbia University | GG011019-03 | 78,238 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | (2,091) | Duke University | UM1AI104681 | (2,091) | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 47,764 | Family Health International | PROVIDE PO15002328 | 47,764 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | (25) | Fox Chase Chemical Diversity Center, Inc. | 1R41AI067719 | (25) | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 131,354 | Henry Jackson Foundation for | SUB AGMT#3053/PO# 848443 | 131,354 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 27,982 | Johns Hopkins University | | 27,982 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 18,120 | Lenima Diagnostics, I.I.C. | R41AL120445-DRXL | 18,120 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 96,266 | Lenima Diagnostics, I.I.C. | 1R4AI1122224-01 | 96,266 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 143,643 | Oregon Health and Science University | 1004354_DREXEL | 143,643 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 112,396 | Oregon Health and Science University | 1002997-DREXEL | 112,396 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 19,282 | University of Washington | UWSC8493/BPO7802 | 19,282 | - |
| Allergy and Infectious Diseases Research | 93.855 | - | 84,268 | Georgia Institute of Technology | RG009-G1 | 84,268 | - |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
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| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Biomedical Research and Research Training | 93.859 | 4,043,257 | | | | 4,043,257 | 2,044,243 |
| Biomedical Research and Research Training | 93.859 | - | 225,782 | University of Pennsylvania | 562336/569058 | 225,782 | - |
| Child Health and Human Development Extramural Research | 93.865 | 495,921 | - | | | 495,921 | 222,197 |
| Child Health and Human Development Extramural Research | 93.865 | - | 8,806 | Cal Poly Corporation | 15-10-58222 | 8,806 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 16,350 | Georgia State University | SP00011626-01 | 16,350 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 13,318 | Harvard School of Public Health | 114074.1038.5041141 | 13,318 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 256,431 | Harvard School of Public Health | 114205-1138-5097549 | 256,431 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 12,827 | University of Alabama at Birmingham | ADVANCE DATED 03/01/2016 | 12,827 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 35,544 | University of Pennsylvania | 5-R01-HD-073221-01A1/ 560737 | 35,544 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 126,449 | University of Wisconsin | 643K856 | 126,449 | - |
| Aging Research | 93.866 | 282,731 | - | | | 282,731 | - |
| Aging Research | 93.866 | - | 41,350 | Albert Einstein College of Medicine of Yeshiva | 9-526-5549 | 41,350 | - |
| Aging Research | 93.866 | - | 51,822 | Albert Einstein College of Medicine of Yeshiva | PO#0553566/310473 | 51,822 | - |
| Aging Research | 93.866 | - | 147,599 | Regenerative Research Foundation | 5012-DREXEL | 147,599 | - |
| Aging Research | 93.866 | - | 38,054 | The Regents of the University of California | 1558 G SA303 | 38,054 | - |
| Aging Research | 93.866 | - | 1,284 | The Regents of the University of California | KK1302 | 1,284 | - |
| Aging Research | 93.866 | - | 1,661 | Trustees of Boston University | 4500001204 | 1,661 | - |
| Aging Research | 93.866 | - | 15,934 | University of Alabama at Birmingham | 000410331-005 | 15,934 | - |
| Aging Research | 93.866 | - | 689 | University of California, San Diego | 5950957/45896018 | 689 | - |
| Medical Library Assistance | 93.879 | - | 67,106 | Children's Research Institute | 30002441-01 | 67,106 | - |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|----------------------|---------------------|--|---|---------------------------|---------------------------------|
| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| Health Resources and Services Administration | | | | | | | |
| HIV Emergency Relief Project Grants | 93.914 | - | 189,802 | Philadelphia | 1520267 R6212 | 189,802 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 140,657 | Department of Human Philadelphia | 1520268 R5214 | 140,657 | - |
| Special Projects of National Significance | 93.928 | - | 37,483 | Department of Human Philadelphia Fight | | 37,483 | - |
| Substance Abuse and Mental Health Services Administration | | | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | - | 158,904 | University of Louisiana | 881125-01 | 158,904 | - |
| National Institutes of Health | | | | | | | |
| International Research and Research Training | 93.989 | - | 25,706 | Oregon Health and Science University | 1004854_ANSP | 25,706 | - |
| International Research and Research Training | 93.989 | - | 73,978 | University of Michigan | 3003076006 | 73,978 | - |
| International Research and Research Training | 93.989 | - | 28,162 | University of Utah | 10039172-01 | 28,162 | - |
| Department of Health and Human Services | | | | | | | |
| | 93.999 | 96,997 | - | | | 96,997 | - |
| | 93.999 | - | 51,471 | Family Health International | 101143.001.005.001 | 51,471 | - |
| | 93.999 | - | 26,619 | ImCare Biotech, LLC | AGREEMENT EFF. 6/10/15 | 26,619 | - |
| | 93.999 | - | 15,684 | Johns Hopkins University | PO# 2001377397 | 15,684 | - |
| | 93.999 | - | 74,998 | Johns Hopkins University | PO# 2001377397 | 74,998 | - |
| | 93.999 | - | 49,281 | Kaiser Permanente | 98-007 | 49,281 | - |
| | 93.999 | - | 302,871 | University of Arizona | PO# 269599 | 302,871 | - |
| | 93.999 | - | 3,402 | Westat | 6049.08-S01 | 3,402 | 3,402 |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>\$ 28,292,914</u> | <u>\$ 8,345,606</u> | | | <u>\$ 36,638,520</u> | <u>\$ 5,605,802</u> |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
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| Research and Development Cluster (continued) | | | | | | | |
| DEPARTMENT OF HOMELAND SECURITY | | | | | | | |
| Assistance to Firefighters Grant | 97.044 | 522,589 | - | | | 522,589 | 41,061 |
| TOTAL DEPARTMENT OF HOMELAND SECURITY | | <u>\$ 522,589</u> | <u>\$ -</u> | | | <u>\$ 522,589</u> | <u>\$ 41,061</u> |
| TOTAL RESEARCH AND DEVELOPMENT CLUSTER | | <u>\$ 52,036,946</u> | <u>\$ 13,572,915</u> | | | <u>\$ 65,609,861</u> | <u>\$ 9,400,131</u> |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
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| Other Sponsored Projects | | | | | | | |
| DEPARTMENT OF AGRICULTURE | | | | | | | |
| Food and Nutrition Service | | | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | \$ - | \$ 486,470 | Penn State University | 5176-DU-COP-9151 | \$ 486,470 | - |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | - | 1,339,624 | Penn State University | 5317-DU-COP-9151 | 1,339,624 | - |
| Subtotal CFDA 10.561 | | <u>-</u> | <u>1,826,094</u> | | | <u>1,826,094</u> | <u>-</u> |
| Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants | 10.580 | - | 11,517 | Penn State University | 4294-DU-COP 8692 | 11,517 | - |
| TOTAL DEPARTMENT OF AGRICULTURE | | <u>\$ -</u> | <u>\$ 1,837,611</u> | | | <u>\$ 1,837,611</u> | <u>\$ -</u> |
| DEPARTMENT OF DEFENSE | | | | | | | |
| Naval Air Systems Command | 12.999 | \$ 1,418 | \$ - | | | \$ 1,418 | - |
| Department of Defense | 12.999 | 260,717 | - | | | 260,717 | - |
| | 12.999 | - | (4,559) | Zeomedix, Inc. | DTD 6/5/2011 | (4,559) | - |
| | 12.999 | - | (2,802) | Engineering Acoustics, Inc. | W911NF-C-0057 | (2,802) | - |
| | 12.999 | - | 26,521 | Alpha Star Corporation | W911-QX-15-C-0045 | 26,521 | - |
| TOTAL DEPARTMENT OF DEFENSE | | <u>\$ 262,135</u> | <u>\$ 19,160</u> | | | <u>\$ 281,295</u> | <u>\$ -</u> |
| DEPARTMENT OF JUSTICE | | | | | | | |
| Office for Victims of Crime | | | | | | | |
| Crime Victim Assistance/Discretionary Grants | 16.582 | \$ 39,472 | \$ - | | | \$ 39,472 | \$ 200 |
| TOTAL DEPARTMENT OF JUSTICE | | <u>\$ 39,472</u> | <u>\$ -</u> | | | <u>\$ 39,472</u> | <u>\$ 200</u> |

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| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
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| Other Sponsored Projects (continued) | | | | | | | |
| DEPARTMENT OF LABOR | | | | | | | |
| Employment Training Administration | | | | | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants | 17.282 | \$ - | \$ 3,343 | New England Institute of Technology | LETTER DATED 11/9/15 | \$ 3,343 | - |
| TOTAL DEPARTMENT OF LABOR | | <u>\$ -</u> | <u>\$ 3,343</u> | | | <u>\$ 3,343</u> | <u>\$ -</u> |
| NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) | | | | | | | |
| Education | 43.008 | \$ - | \$ 3,573 | Penn State University | 5366-DU-NASA-K06H | \$ 3,573 | - |
| | 43.999 | - | 13,833 | Space Telescope Science Institute | HST-GO-14135.001-A | 13,833 | - |
| TOTAL NASA | | <u>\$ -</u> | <u>\$ 17,406</u> | | | <u>\$ 17,406</u> | <u>\$ -</u> |
| INSTITUTE OF MUSEUM AND LIBRARY SERVICES (IMLS) | | | | | | | |
| Laura Bush 21st Century Librarian Program | 45.313 | \$ 2,599 | \$ - | | | \$ 2,599 | \$ 2,599 |
| TOTAL IMLS | | <u>\$ 2,599</u> | <u>\$ -</u> | | | <u>\$ 2,599</u> | <u>\$ 2,599</u> |
| NATIONAL SCIENCE FOUNDATION | | | | | | | |
| Education and Human Resources | 47.076 | 41,814 | - | | | 41,814 | 41,814 |
| Office of International Science and Engineering | 47.079 | 9,989 | - | | | 9,989 | - |
| TOTAL NATIONAL SCIENCE FOUNDATION | | <u>\$ 51,803</u> | <u>\$ -</u> | | | <u>\$ 51,803</u> | <u>\$ 41,814</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|-------------------|---------------------|-------------------------------------|---|---------------------------|---------------------------------|
| Other Sponsored Projects (continued) | | | | | | | |
| DEPARTMENT OF ENERGY | | | | | | | |
| Advanced Research Projects Agency - Energy | 81.135 | \$ - | \$ 140,441 | EPRI | 10004916 | \$ 140,441 | - |
| TOTAL DEPARTMENT OF ENERGY | | <u>\$ -</u> | <u>\$ 140,441</u> | | | <u>\$ 140,441</u> | <u>\$ -</u> |
| DEPARTMENT OF EDUCATION | | | | | | | |
| Office of Postsecondary Education | | | | | | | |
| National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and | 84.015 | - | 2,241 | University of Pennsylvania | 565407/10047739/15872 | 2,241 | - |
| | 84.015 | - | 3,815 | University of Pennsylvania | 565326/10047593/15871 | 3,815 | - |
| Subtotal CFDA 84.015 | | <u>-</u> | <u>6,056</u> | | | <u>6,056</u> | <u>-</u> |
| Fund for the Improvement of Postsecondary Education | 84.116 | 28,384 | - | | | 28,384 | - |
| Minority Science and Engineering Improvement | 84.120 | - | 578 | Community College of Philadelphia | P12A130035 | 578 | - |
| Graduate Assistance in Areas of National Need | 84.200 | 715,321 | - | | | 715,321 | - |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | - | 134,442 | The College Crusade of Rhode Island | P334S110008 | 134,442 | - |
| Office of Elementary and Secondary Education | | | | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | - | 280,828 | PA Department of Education | 4100068057 | 280,828 | - |
| Office of Special Education and Rehabilitative Services | | | | | | | |
| Special Education - Personnel Development to Improve Services and Results for Children with Mathematics and Science Partnerships | 84.325 | 242,752 | - | | | 242,752 | - |
| | 84.366 | - | 9,004 | Purdue University | 150801 & 140517 | 9,004 | - |
| Mathematics and Science Partnerships | 84.366 | - | 43,705 | Philadelphia School District | 38AX-M67-9190-2272-3291 | 43,705 | - |
| Subtotal CFDA 84.366 | | <u>-</u> | <u>52,709</u> | | | <u>52,709</u> | <u>-</u> |
| Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 84.367 | - | (1,117) | PA Department of Education | K071800020 | (1,117) | (1,215) |
| Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 84.367 | - | 244,652 | PA Department of Education | K071800034 | 244,652 | 75,892 |
| Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 84.367 | - | 247,099 | PA Department of Education | 071-800055 | 247,099 | 102,995 |
| Subtotal CFDA 84.367 | | <u>-</u> | <u>490,634</u> | | | <u>490,634</u> | <u>177,672</u> |
| | | <u>\$ 986,457</u> | <u>\$ 965,247</u> | | | <u>\$ 1,951,704</u> | <u>\$ 177,672</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|---|-------------|---------------|---------------------|--|---|---------------------------|---------------------------------|
| Other Sponsored Projects (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| Administration for Children and Families | | | | | | | |
| Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | - | 19,347 | Philadelphia Health Management | LETTER DATED 10/05/15 | 19,347 | - |
| National Institutes of Health | | | | | | | |
| NIEHS Superfund Hazardous Substances_Basic Research and Education | 93.143 | - | (88,974) | Mayo Clinic | HHSN261201200042I MCR-0108-CPN | (88,974) | - |
| Health Resources and Services Administration | | | | | | | |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | 320,870 | - | | | 320,870 | 31,209 |
| Office of Population Affairs | | | | | | | |
| Family Planning Services | 93.217 | - | 40,045 | Access Matters/Family Planning Council | 1220455-03/03/CPA4012 | 40,045 | - |
| Family Planning Services | 93.217 | - | 8,588 | Access Matters/Family Planning Council | 142401 | 8,588 | - |
| Family Planning Services | 93.217 | - | (1,604) | Access Matters/Family Planning Council | 144002 | (1,604) | - |
| Family Planning Services | 93.217 | - | (6,631) | Access Matters/Family Planning Council | 144009 | (6,631) | - |
| Family Planning Services | 93.217 | - | 4,694 | Access Matters/Family Planning Council | 145002 | 4,694 | - |
| Family Planning Services | 93.217 | - | 5,604 | Access Matters/Family Planning Council | 150201 | 5,604 | - |
| Family Planning Services | 93.217 | - | (31,850) | Access Matters/Family Planning Council | 152401 | (31,850) | - |
| Family Planning Services | 93.217 | - | 31,956 | Access Matters/Family Planning Council | 154002 | 31,956 | - |
| Family Planning Services | 93.217 | - | 5,837 | Access Matters/Family Planning Council | 156003 | 5,837 | - |
| Family Planning Services | 93.217 | - | (105) | Access Matters/Family Planning Council | 156301 | (105) | - |
| Family Planning Services | 93.217 | - | 135,567 | Access Matters/Family Planning Council | 162401 | 135,567 | - |
| Family Planning Services | 93.217 | - | 98,221 | Access Matters/Family Planning Council | 164002 | 98,221 | - |
| Family Planning Services | 93.217 | - | 132,963 | Access Matters/Family Planning Council | 164009 | 132,963 | - |
| Family Planning Services | 93.217 | - | 52,673 | Access Matters/Family Planning Council | 166301 | 52,673 | - |
| Subtotal CFDA 93.217 | | - | 475,958 | | | 475,958 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|----------------|---------------------|---|---|---------------------------|---------------------------------|
| Other Sponsored Projects (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| Substance Abuse and Mental Health Services Administration | | | | | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | 237,785 | - | | | 237,785 | 88,970 |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | - | 2,832 | Bucks County Drug & Alcohol Commission Pennsylvania | LETTER DATED 2/19/15 4300473253 | 2,832 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | - | 87,767 | Department of Drug Philadelphia | 1520275_1220367-02 | 87,767 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | - | (110) | Department of Human Philadelphia | SA3021 1520275_1220367-02 | (110) | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | - | 8,588 | Department of Human Philadelphia | SA3028 1520275_1220367-02 | 8,588 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | - | 27,983 | Department of Human Philadelphia | SA3025 1520275_1220367-02 | 27,983 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Substance Abuse and Mental Health | 93.243 | - | 54,993 | Department of Human Philadelphia | SA3024 | 54,993 | - |
| Subtotal CFDA 93.243 | | <u>237,785</u> | <u>182,053</u> | | | <u>419,838</u> | <u>88,970</u> |
| Centers for Disease Control and Prevention | | | | | | | |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | - | 2,365 | Access Matters/Family Planning Council | 050205 | 2,365 | - |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | - | 2,513 | Access Matters/Family Planning Council | 152603 | 2,513 | - |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | - | 3,386 | Access Matters/Family Planning Council | 150104 | 3,386 | - |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | - | 5,942 | Access Matters/Family Planning Council | 150104 | 5,942 | - |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | - | 40,128 | Access Matters/Family Planning Council | 162603 | 40,128 | - |
| Subtotal CFDA 93.283 | | <u>-</u> | <u>54,334</u> | | | <u>54,334</u> | <u>-</u> |
| Office of the Secretary | | | | | | | |
| National Community Centers of Excellence in Women's Health | 93.290 | 433,450 | - | | | 433,450 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|--|---|---------------------------|---------------------------------|
| Other Sponsored Projects (continued) | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Cancer Treatment Research | 93.395 | - | (15,730) | Children's Hospital of Philadelphia | U10CA098543 | (15,730) | - |
| Cancer Treatment Research | 93.395 | - | 2,031 | Children's Hospital of Philadelphia | N02-CM-62212 | 2,031 | - |
| Cancer Treatment Research | 93.395 | - | 10,081 | Children's Hospital of Philadelphia | U10CA180866 | 10,081 | - |
| Cancer Treatment Research | 93.395 | - | 2,034 | Children's Hospital of Philadelphia | AALL1131 | 2,034 | - |
| Subtotal CFDA 93.395 | | - | (1,584) | | | (1,584) | - |
| Cancer Control | 93.399 | - | 2,034 | Children's Hospital of Philadelphia | FP00017458_SUB120_01 | 2,034 | - |
| Administration for Children and Families | | | | | | | |
| Social Services Block Grant | 93.667 | - | (6,795) | Access Matters/Family Planning Council | 152401 | (6,795) | - |
| Social Services Block Grant | 93.667 | - | 1,195 | Access Matters/Family Planning Council | 150201 | 1,195 | - |
| Social Services Block Grant | 93.667 | - | 116,755 | Access Matters/Family Planning Council | 160201 | 116,755 | - |
| Subtotal CFDA 93.667 | | - | 111,155 | | | 111,155 | - |
| Centers for Medicare and Medicaid Services | | | | | | | |
| Section 223 Demonstration Programs to Improve Community Mental Health Services | 93.829 | - | 127,178 | Pennsylvania Department of Human | 16SM62939A | 127,178 | - |
| National Institutes of Health | | | | | | | |
| Cardiovascular Diseases Research | 93.837 | - | 695 | University of Rochester | 415554-G | 695 | - |
| Cardiovascular Diseases Research | 93.837 | - | 11,185 | Duke University | R01HL105448 GUIDE-IT 122 | 11,185 | - |
| Cardiovascular Diseases Research | 93.837 | - | 11,915 | Brigham and Women's Hospital | 5U01HL101422-02 | 11,915 | - |
| Cardiovascular Diseases Research | 93.837 | - | 26,429 | New England Research Institute | PITCH-HF/U01HL105463 | 26,429 | - |
| Subtotal CFDA 93.837 | | - | 50,224 | | | 50,224 | - |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | - | 585 | University of North Carolina | SUBAWARD# 5100904 | 585 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | (39,820) | University of New Mexico | 3R89B | (39,820) | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 8 | Harvard School of Public Health | 114074.0938.5041141 | 8 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|-------------------------------------|---|---------------------------|---------------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| National Institutes of Health | | | | | | | |
| Child Health and Human Development Extramural Research | 93.865 | - | 30,935 | Harvard School of Public Health | 114074.1038.5041141 | 30,935 | - |
| Child Health and Human Development Extramural Research | 93.865 | - | 175,551 | Columbia University | U10HDO36801 & U01HL098354 | 175,551 | - |
| Subtotal CFDA 93.865 | | - | 166,674 | | | 166,674 | - |
| Aging Research | 93.866 | - | 17,679 | University of California, San Diego | ADC-040-A4-H8A-MC-LZAZ | 17,679 | - |
| Health Resources and Services Administration | | | | | | 0 | |
| HIV Emergency Relief Project Grants | 93.914 | - | (4,802) | Philadelphia Department of Human | 05-21117-01 | (4,802) | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 501 | Philadelphia Department of Human | 1320708 R4619 | 501 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 703 | Philadelphia Department of Human | 1520267 R4587 | 703 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 51,338 | Philadelphia Department of Human | 1520268-02 RWS6365 | 51,338 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 70,176 | Philadelphia Department of Human | 1520268-02 R6214 | 70,176 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 93,215 | Philadelphia Department of Human | 1520267-02 RS5875 | 93,215 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 106,897 | Philadelphia Department of Human | 1520268 R5214 | 106,897 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 108,391 | Philadelphia Department of Human | 1520267-03 R6213 | 108,391 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 231,791 | Philadelphia Department of Human | 1520267 R5213 | 231,791 | - |
| HIV Emergency Relief Project Grants | 93.914 | - | 537,926 | Philadelphia Department of Human | 1520267 R5212 | 537,926 | - |
| Subtotal CFDA 93.914 | | - | 1,196,136 | | | 1,196,136 | - |
| HIV Care Formula Grants | 93.917 | - | 15,129 | Philadelphia Department of Human | 1520160 RXB6113 | 15,129 | - |
| HIV Care Formula Grants | 93.917 | - | 15,927 | Philadelphia Department of Human | 1520160-01 RXB6112 | 15,927 | - |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------|---------------------|--|---|---------------------------|---------------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| Health Resources and Services Administration (continued) | | | | | | 0 | |
| HIV Care Formula Grants | 93.917 | - | 45,302 | Philadelphia | 1520160-01 RXA6113 | 45,302 | - |
| HIV Care Formula Grants | 93.917 | - | 47,218 | Department of Human Philadelphia | 1520160-01 RXA6112 | 47,218 | - |
| Subtotal CFDA 93.917 | | - | 123,576 | Department of Human | | 123,576 | - |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | 851,278 | - | | | 851,278 | 27,612 |
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | 75,000 | - | | | 75,000 | - |
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | 322,075 | - | | | 322,075 | - |
| Subtotal CFDA 93.925 | | 397,075 | - | | | 397,075 | - |
| Centers for Disease Control and Prevention | | | | | | | |
| HIV Prevention Activities_Health Department Based | 93.940 | - | 23,100 | Access Matters/Family Planning Council | 163007 | 23,100 | - |
| HIV Prevention Activities_Health Department Based | 93.940 | - | 18,421 | Access Matters/Family Planning Council | 1220455-03/03/CPA4012 | 18,421 | - |
| HIV Prevention Activities_Health Department Based | 93.940 | - | 25,889 | Philadelphia | 1520269_CPA5056 | 25,889 | - |
| HIV Prevention Activities_Health Department Based | 93.940 | - | 26,541 | Department of Human Philadelphia | 1520269-03/CPB6056 | 26,541 | - |
| HIV Prevention Activities_Health Department Based | 93.940 | - | 49,912 | Department of Human Philadelphia | 1520269/CPB6038 | 49,912 | - |
| HIV Prevention Activities_Health Department Based | 93.940 | - | 53,313 | Department of Human Philadelphia | 1520304 B5005 | 53,313 | - |
| Subtotal CFDA 93.940 | | - | 197,176 | Department of Human | | 197,176 | - |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) | 93.944 | - | 99,966 | Children's Hospital of Philadelphia | 4100065929 | 99,966 | - |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) | 93.944 | - | (3,007) | Children's Hospital of Philadelphia | 22001-06-15 | (3,007) | - |
| Subtotal CFDA 93.944 | | - | 96,959 | | | 96,959 | - |
| Substance Abuse and Mental Health Services Administration | | | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | - | 105,445 | City of Philadelphia - Office of Addiction | 15-20483 | 105,445 | 69,174 |
| Health Resources and Services Administration | | | | | | | |
| Prevention and Public Health Fund (PPHF) Public Health Traineeships | 93.964 | 122,708 | - | | | 122,708 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 7,803 | Access Matters/Family Planning Council | 166301 | 7,803 | - |
| Other Sponsored Projects (continued) | | | | | | | |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|---------------------|---------------------|--|---|---------------------------|---------------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 5,022 | Access Matters/Family Planning Council | 160201 | 5,022 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 5,831 | Access Matters/Family Planning Council | 162401 | 5,831 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 41,514 | American Academy of Pediatrics | LTR DATED 6/30/12 | 41,514 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | (10,817) | Pennsylvania | SAP 4100058610 | (10,817) | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | (328) | Department of Health Pennsylvania | SAP 4100065983 | (328) | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 39,914 | Department of Health Pennsylvania | SAP 4100065972 | 39,914 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 76,961 | Department of Health Pennsylvania | SAP 4100065966 | 76,961 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | 276,741 | Department of Health Pennsylvania | SAP 4100065983 | 276,741 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | - | (536) | University of Michigan | 3001890371 | (536) | - |
| Subtotal CFDA 93.994 | | <u>-</u> | <u>442,105</u> | | | <u>442,105</u> | <u>-</u> |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>\$ 2,363,166</u> | <u>\$ 3,278,060</u> | | | <u>\$ 5,641,226</u> | <u>\$ 216,965</u> |
| TOTAL OTHER SPONSORED PROGRAMS CLUSTER | | <u>\$ 3,705,632</u> | <u>\$ 6,261,268</u> | | | <u>\$ 9,966,900</u> | <u>439,250</u> |

Drexel University and Subsidiaries
Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Program | CFDA | Direct | Pass-through | Pass Through Entity | Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|-------------|-----------------------|----------------------|----------------------------|---|---------------------------|---------------------------------|
| Financial Aid Cluster | | | | | | | |
| DEPARTMENT OF EDUCATION | | | | | | | |
| Office of Student Financial Aid | | | | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | \$ 1,566,033 | \$ - | | | \$ 1,566,033 | - |
| Federal Work-Study Program | 84.033 | 2,055,820 | - | | | 2,055,820 | - |
| Federal Perkins Loans | 84.038 | 25,981,479 | | | | 25,981,479 | |
| Federal Pell Grant Program | 84.063 | 14,760,877 | - | | | 14,760,877 | - |
| Federal Direct Student Loans | 84.268 | 252,144,615 | - | | | 252,144,615 | - |
| TOTAL DEPARTMENT OF EDUCATION | | <u>\$ 296,508,824</u> | <u>\$ -</u> | | | <u>\$ 296,508,824</u> | <u>-</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| Primary Care Loans | 93.342 | \$ 3,399,650 | \$ - | | | \$ 3,399,650 | \$ - |
| Loans for Disadvantaged Students | 93.342 | 190,553 | - | | | 190,553 | - |
| Nursing Student Loans | 93.364 | 33,530 | - | | | 33,530 | - |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>\$ 3,623,733</u> | <u>\$ -</u> | | | <u>\$ 3,623,733</u> | <u>-</u> |
| TOTAL FINANCIAL AID CLUSTER | | <u>\$ 300,132,557</u> | <u>\$ -</u> | | | <u>\$ 300,132,557</u> | <u>-</u> |
| TOTAL FEDERAL AWARD EXPENDITURES | | <u>\$ 355,875,135</u> | <u>\$ 19,834,183</u> | | | <u>\$ 375,709,318</u> | <u>\$ 9,839,381</u> |

Drexel University and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarize the expenditures of Drexel University and Subsidiaries (the "University") under programs of the federal government for the year ended June 30, 2016. Because the Schedule present only a selected portion of the operations of the University, they are not intended to, and do 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.

The University applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

2. Basis of Accounting

The Schedule are presented using the accrual basis of accounting. Negative items on the Schedule represent adjustments or credits in cases where program expenditures exceed grant or contract budget limitations from the prior year.

3. Federal Student Loan Programs

Federally-guaranteed loans (including subsidized and unsubsidized loans) issued to students of Drexel University directly by Drexel University during the year ended June 30, 2016, and included on the accompanying Schedule of Expenditures of Federal awards are summarized below:

Drexel University and Subsidiaries
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federally-guaranteed loans (including subsidized and non-subsidized loans): | <u>CFDA Number</u> | <u>FY 2016 Amount Authorized</u> |
|--|--------------------|--------------------------------------|
| Graduate PLUS Loans | 84.268 | \$ 44,584,010 |
| Parent Loans for Undergraduate Students | 84.268 | 46,183,602 |
| Subsidized Direct Loans | 84.268 | 33,132,591 |
| Unsubsidized Direct Loans | 84.268 | 128,543,340 |
| Total Federally-guaranteed loans | | <u>\$ 252,443,543</u> |

Drexel 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 financial statements.

Drexel University also participates in and administers the following student loan programs:

| Other student loan programs: | <u>CFDA Number</u> | <u>Loan Balance Outstanding as of June 30, 2016</u> |
|----------------------------------|--------------------|---|
| Federal Perkins Loan Program | 84.038 | \$ 20,138,285 |
| Primary Care Loans | 93.342 | 3,399,659 |
| Loans for Disadvantaged Students | 93.342 | 199,553 |
| Nursing Student Loan | 93.364 | 33,530 |
| | | <u>\$ 23,771,027</u> |

Drexel University accounts for such loan programs in separate revolving loan funds. As such, the balances and transactions of these loan programs are recorded in Drexel University's consolidated financial statements. The amounts on the Schedule for these loan programs also include expenditures for the administrative costs of the respective programs. The beginning of year loan outstanding balances, new loans issued and administrative cost allowances, if any, are recorded on the accompanying Schedule of Expenditures of Federal Awards.

II. Reports on Internal Controls and Compliance



Report of Independent Auditors 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, 2016, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016.

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.



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.

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
October 26, 2016



**Report of Independent Auditors 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 the Uniform Guidance**

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 *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, 2016. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 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, 2016.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying Management's View and Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RiceWaterhouse Coopers LLP

Philadelphia, Pennsylvania
March 28, 2017

III. Findings and Questioned Costs

Drexel University and Subsidiaries
Summary Schedule of Audit Findings and Questioned Costs
For the Year Ended June 30, 2016

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 | <u> X </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes | <u> X </u> none noted |
| • Non-compliance material to financial statements noted? | _____ yes | <u> X </u> no |

Federal Awards

Internal control over major programs:

| | | |
|---|-----------|----------------------------|
| • Material weakness(es) identified? | _____ yes | <u> X </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes | <u> X </u> none reported |

Type of auditor’s report issued on compliance for major programs: unmodified

| | | |
|--|------------------|----------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u> X </u> 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: | \$2,267,303 | |
| Auditee qualified as low-risk auditee? | <u> X </u> yes | _____ no |

Section II – Financial Statement Findings

No findings to be reported.

Drexel University and Subsidiaries
Summary Schedule of Audit Findings and Questioned Costs
For the Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs

2016-001: Effort Reporting

Federal Agency: Department of Health and Human Services
Program: Research and Development Cluster
CFDA #: Refer Below
Award #: Refer Below
Award Year: Fiscal year 2016
Pass-through: None

Criteria

Per 2 CFR part 200.430, management is to implement and maintain an employee time reporting system in which effort is reviewed to ensure the effort charged to the grant is accurate, and is based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged. Additionally, the University has a policy in place for attesting to effort applied to a grant to account for the accuracy of the personnel costs charged.

Condition

During our testing of compliance with direct compensation, specifically with regards to timely effort reporting, we noted 4 of 60 effort reports was certified on average 320 days after the period end date, ranging from 165 days to 434 days. Although the effort report was not certified timely, there were no errors noted or adjustments required to the amounts charged to the award. Refer to the chart below for more information.

| # | Agency | CFDA # | Award # | Effort Period | Date Certified | Days After Period End |
|---|--------|--------|-------------------------|-----------------------|----------------|-----------------------|
| 1 | DHHS | 93.837 | 1U01HL116256-01A1 | 7/1/2015 - 12/31/2015 | 3/7/2017 | 432 |
| 2 | DHHS | 93.837 | 1U01HL116256-01A1 | 7/1/2015 - 12/31/2015 | 6/13/2016 | 165 |
| 3 | DHHS | 93.279 | 5R01DA029663-06 Revised | 7/1/2015 - 12/31/2015 | 3/9/2017 | 434 |
| 4 | DHHS | 93.113 | 1R21ES025559-01 | 4/1/2016 - 6/30/2016 | 3/5/2017 | 248 |

This is a repeat of the prior year finding 2015-002.

Cause

All but one of these effort reports were for the period of 7/1/2015 – 12/31/2015, which was prior to the implementation of the new effort reporting system which was installed to address this issue by creating additional edit reports allowing for simplified monitoring of timing of outstanding reports. For the effort report that was found to be certified untimely for the period after the system update, the delay was known, however additional time was necessary to complete the reconciliation and review of all effort due to the complexity of the personnel’s labor distribution over multiple awards and activities.

Effect

The effort reported could be incorrect and if not reviewed and corrected in a timely manner, costs charged to a grant could be incorrect.

Recommendation

We recommend the University continue to utilize the new system and policy updates to ensure all effort reports are certified in a timely manner.

Management’s Response

Following this finding is Management’s View and Corrective Action Plan.

Drexel University and Subsidiaries

Summary Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2016

2016-002: Cost Transfers

Federal Agency: Refer Below
Program: Research and Development Cluster
CFDA #: Refer Below
Award #: Refer Below
Award Year: Fiscal year 2016
Pass-through: Refer Below

Criteria

Criteria Section 200.541 of the Uniform Guidance states that “excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable”. Section 200.403 states that “except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards... (g) Be adequately documented”. Appropriate controls should be in place to prevent frequent, tardy, and unexplained (or inadequately explained) transfers. National Institute of Health states that cost transfers should be accomplished within 90 days of when the error was discovered and that the transfer must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible official of the recipient, subrecipient, or contractor. Finally, Drexel University Cost Transfer Policy states that non-labor cost transfers must be processed within 120 days of the date of the original transaction.

Condition

PwC selected a sample of 60 cost transfers. These transfers included journal entries to remove and record transactions to federal awards. There is no consistent way to identify the dates when the error was discovered. As such, PwC evaluated cost transfers using the date of the original transaction in relation to the date of the transfer, in accordance with Drexel policy. 21 of 60 samples selected for testing were cost transfers that would be considered untimely, where underlying transactions needing correction were processed between 218 and 1217 days after the date of the original transaction. Refer to the chart below for more information.

| # | Agency | CFDA # | Award # | Pass Through | Amount | Days After Orig. Trans. |
|--------|-------------------|--------|-----------------------------------|---------------------|------------|-------------------------|
| 1 - 17 | FEMA | 97.044 | EMW-2011-FP-00069 FG1100069FPS | N/A | (2,433.29) | 246 - 1219 |
| 18 | Dept. of Commerce | 11.431 | GG001959 | Columbia University | (58.30) | 820 |
| 19 | Dept. of Army | 12.999 | DTD 6/5/2011 | Zeomedix, Inc. | 153.84 | 218 |
| 20 | DHHS | 93.837 | 1U01HL116256-01A1 | N/A | (14.51) | 337 |
| 21 | NSF | 47.076 | HRD-1408052 | N/A | 7,736.44 | 566 |

This is a repeat of prior year finding 2015-004.

Cause

Due to employee turnover, the University did not timely identify all necessary transfers and was delayed in executing the final closeout reconciliations which has also resulted in untimely transfers of certain costs upon closeout of an award.

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. However, there are no questioned costs associated with this finding as we note that all transfers were allowable.

Drexel University and Subsidiaries
Summary Schedule of Audit Findings and Questioned Costs
For the Year Ended June 30, 2016

2016-002: Cost Transfers, Continued

Recommendation

We recommend the University continue to enhance its efforts to perform the final close out reconciliations timely. Additionally, continued education of the research community on its cost transfer policy, with a specific emphasis on the timely detection and processing of necessary cost transfers will help reduce the amount of transfers identified during close out.

Management's Response

Following this finding is Management's View and Corrective Action Plan.

Drexel University and Subsidiaries

Summary Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2016

2016-003: Student Financial Aid Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)

Federal Agency: Department of Education
Program: Federal Direct Loans
CFDA # 84.268
Award #: N/A
Award Year: Fiscal year 2016
Pass-through: None

Criteria

34 CFR Section 685.301 which sets forth standards for reconciling University records to the DOE records.

Condition

During our testing of compliance with the Direct Loan reconciliation process, we noted that the reconciliations performed each month did not include the entire student population. For the fiscal year ending June 30, 2016, Drexel University Financial Aid Office did not have a process in place to completely reconcile 100% of the variances every month, as such, within each month only about one third of the students are reconciled. However, there are no questioned costs associated with this finding as we note that all variances are all reconciled by the end of the fiscal year.

This is a repeat of finding 2015-003.

Cause

The current reconciliation process is manual and labor intensive. Management performs a portion of the full reconciliation each month based on assessed risk of variances. The University has also had turn over on the loan processing team in the current year which contributed to the delay in resolving this issue.

Effect

The University could fail to recognize discrepancies within student accounts within the appropriate amount of time (30 days).

Recommendation

We recommend the University fully implement the new reconciliation process and reconcile 100% of the variances each month.

Management's Response

Following this finding is Management's View and Corrective Action Plan.

Drexel University and Subsidiaries

Summary Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2016

2016-004: Written Arrangements with Another Institution, Consortium, or Organization to Provide Educational Programs

Federal Agency: Department of Education
Program: Federal Direct Loans
CFDA # 84.268
Award #: N/A
Award Year: Fiscal year 2016
Pass-through: None

Criteria

34 CFR Section 668.5 sets forth standards for written arrangements to provide educational programs. Under this guidance, an eligible institution (in this case the University) may enter into a written arrangement with an ineligible organization to provide part of an educational program for students, if certain criteria are met.

The ineligible organization could be considered eligible if (1) it provides less than 50% of the educational program, and (2) both organizations are not owned or controlled by the same individual, partnership, or corporation.

Condition

During our testing of compliance with written arrangements to provide educational programs, we noted the University has a written arrangement with one organization that, while accredited by an agency that is recognized by the Department of Education for Title IV purposes, had not established eligibility to participate in federal student financial assistance programs. The University and this organization are not owned or controlled by the same individual, partnership, or corporation, so the 50% rule outlined in 24 CFR section 668.5 applies. However, in fiscal year 2016 the organization provided 67% of the educational program, which is in excess of the 50% maximum.

Cause

The University did not have a process in place to monitor compliance with the 50% rule outlined in 24 CFR Section 668.5 for written arrangements entered into with an ineligible institution.

Effect

The University is not in compliance with 24 CFR Section 668.5 as it relates to written arrangements entered into with ineligible institutions.

Recommendation

We recommend the University work with the organization and the Department of Education to come to a resolution of this issue.

Management's Response

Following this finding is Management's View and Corrective Action Plan.

Drexel University and Subsidiaries

Schedule of Status of Prior Year Findings

For the Year Ended June 30, 2016

Summary Schedule of Prior Audit Findings

2015 – 001: Complex Transactions

Summary

The University frequently enters into transactions with complex accounting implications that have potentially significant effects on the financial statements. As part of the financial statement audit, PwC recommended that we should continue to develop a process to ensure comprehensive evaluation and documentation of all significant transactions by individuals with the relevant expertise, specifically as it relates to more complex transactions, such as leases. Additionally, we should implement a formal procedure for identifying and communicating complex transactions requiring specific accounting and reporting considerations.

Status

The University is actively engaged with two independent CPA firms to assist with complex transactions and to assist with the development of formal white papers related to complex transactions and related accounting procedures and considerations. One firm handles historical and new market tax credit transactions and the other firm assists with less specialized complex transactions. All documents developed in tandem with the CPA firms and management are reviewed by our external auditors (PwC) as part of the audit engagement. The University is in the process of implementing the contract module of its existing procurement system to capture all contracts and further enhance its review process to ensure appropriate parties are involved in discussion at the earliest stages to ensure proper administration and accounting. The contract module is expected to be fully implemented by September 2017.

Drexel University and Subsidiaries Schedule of Status of Prior Year Findings For the Year Ended June 30, 2016

2015-002: Effort Reporting

Federal Agency: Department of Health and Human Services, Department of Energy, National Science Foundation, FEMA, Office of Naval Research, National Aeronautics & Space Administration, National Institutes of Health
Program: Research and Development Cluster
CFDA #: 93.074, 81.049, 47.074, 97.044, 12.300, 43.001, 93.853, 93.242
Award #: 440007960, 11122-31, 1010-216-AQU, EF-1115131, EMW-2012-FP-00205, N00014-12-1-0160, NNX12AP65G, 2P01NS055976-06A1, 5R01MH085666-07
Award Year: Fiscal year 2015
Pass-through: Pennsylvania Department of Health, Research Partnership to Secure Energy for America, Neon, Inc.

Summary

During PwC testing of compliance with direct compensation, specifically with regards to timely effort reporting, they noted 19 of 60 effort reports were certified and approved in excess of 90 days of the period end date. Untimely certifications on average took place 192 days after the period end date, ranging from 104 to 197 days.

Additionally, for 4 effort reports selected for testing a copy of the original signed effort report was not able to be produced. As such, PwC was not able to conclude on timeliness of certification.

Status

This finding is being repeated in 2016 primarily due to delayed labor reallocations which needed to be completed and approved before the effort report can be updated and certified in the legacy effort reporting system. The University continues to offer quarterly training sessions to both pre-reviewers and certifiers on its Effort Reporting Policy and the Banner Effort Reporting System. Regular reminders are sent to pre-reviewers and certifiers to ensure timely completion of labor redistributions and outstanding effort certifications. Research Accounting Services has added a staff member to the effort reporting process who is responsible for following up on outstanding effort reports. The associate deans of each school are also updated on outstanding certifications so that they can work with the departmental administrators to complete certifications in a timely fashion.

Drexel University and Subsidiaries

Schedule of Status of Prior Year Findings

For the Year Ended June 30, 2016

2015-003: Student Financial Aid Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)

Federal Agency: Department of Education
Program: Federal Direct Loans
CFDA # 84.268
Award #: N/A
Award Year: Fiscal year 2015
Pass-through: None

Summary

During PwC's testing of compliance with the Direct Loan reconciliation process, they noted that the reconciliations performed each month did not include the entire student population. For the fiscal year ending June 30, 2015, the Financial Aid Office did not have a process in place to completely reconcile 100% of the variances every month, as such, within each month only about one third of the students were reconciled.

Status

This is a repeat finding in 2016 because a key staff member who was expert in the reconciliation process left abruptly for personal reasons. The loan processing team is now fully staffed and trained on the reconciliation process and have been advised that the monthly reconciliation is a critical part of their job performance. The Student Financial Services department has also built into the system a tracking mechanism to record when the reconciliation was completed, and it has a monthly sign-off by the reviewer. Further, the reconciliation report has been enhanced to allow the Student Financial Services department to better analyze the data by disbursement date. The report now allows the Student Financial Services department to adjust within the University's ERP system (Banner) or on the Common Origination and Disbursement System (COD) site when issues are identified.

Drexel University and Subsidiaries Schedule of Status of Prior Year Findings For the Year Ended June 30, 2016

2015-004: Allowable Costs/Cost Principles – Cost Transfers

Federal Agency: National Institutes of Health
Program: Research and Development Cluster
CFDA #: 93.242, 93.866
Award #: 5R01MH085666-07, 5R21AG041510-02
Award Year: Fiscal year 2015
Pass-through: None

Summary

PwC selected a sample of 60 cost transfers. These transfers included journal entries to remove and record transactions to federal awards. PwC noted that 3 of 60 samples selected for testing were cost transfers that would be considered untimely, where underlying transactions needing correction were processed between 134 and 775 days after the date of the original transaction.

Status

This finding is being repeated in 2016 due to the University's concerted efforts to eliminate its close-out backlog which has resulted in untimely cost transfers. During fiscal year FY 2016, the University implemented a journal workflow tool which streamlines the processing of cost transfers to help improve timeliness and provides for increased transparency. Research Accounting Services emphasizes in its trainings to the University research community the importance of regular review of ledger activity and the need to correct errors as they are discovered. In addition, Research Accounting Services, routinely encourages the use of advance accounts for those awards that are awaiting fully executed agreements so that cost transfers will not be necessary once the agreement is in place.



*Office of the Comptroller
Research Accounting Services*

**Management's View and Corrective Action Plan to
Uniform Guidance Schedules of Expenditures of Federal Awards
Fiscal Year 2016 Uniform Guidance Audit Findings**

2016-001: Effort Reporting

The University continues to utilize and improve the new Banner Effort Reporting System. In the second quarter of FY17 improvements were made to the system to automatically send out notifications when a report is awaiting pre-review and certification. We have also standardized our email notifications which go out weekly to principal investigators and department administrators who have open effort reports. Research Accounting Services has added a staff member to the effort reporting process who is responsible for following up on outstanding effort reports. The associate deans of each school or college are also updated on outstanding certifications so that they can work with the departmental administrators to complete certifications in a timely fashion. The University also provides quarterly trainings to its business managers and principal investigators to educate them on the Effort Reporting Policy and the importance of timely pre-reviews and certifications.

Evelyn Balabis
Executive Director,
Research Accounting Services
215-895-2946



*Office of the Comptroller
Research Accounting Services*

2016-002: Cost Transfers

The University has been making concerted efforts to eliminate its close-out backlog which has resulted in untimely cost transfers. The close-outs have required removal of expenses from the grant to unrestricted sources which then results in late cost transfers. These transfers do not usually result in a revised report, adjustment to draws or refunds to the sponsor.

During fiscal year FY 2016, the University implemented a journal workflow tool which streamlines the processing of cost transfers to help improve timeliness and provides for increased transparency. Research Accounting Services emphasizes in its trainings to the University research community the importance of regular review of ledger activity and the need to correct errors as they are discovered. In addition, Research Accounting Services, encourages the use of advance accounts for those awards that are awaiting fully executed agreements so that cost transfers will not be necessary once the agreement is in place.

Evelyn Balabis
Executive Director,
Research Accounting Services
215-895-2946



Drexel Central - Student Financial and Registration Services

2016-003: STUDENT FINANCIAL AID SPECIAL TESTS AND PROVISIONS – BORROWER DATA TRANSMISSION AND RECONCILIATION (DIRECT LOAN)

This finding is the result of recent staff turnover in the department. The loan processing team is now fully staffed and trained on the reconciliation process and have been advised that the monthly reconciliation is a critical part of their job performance. The Office of Financial Aid has also built into the system a tracking mechanism to record when the reconciliation was completed, and it requires a monthly sign-off by the reviewer. Further, the reconciliation report has been enhanced to allow the Office of Financial Aid to better analyze the data by disbursement date. The report now allows the Office of Financial Aid to focus on the student disbursement issues that occurred in the prior month and to make the necessary adjustments directly within the University's ERP system (Banner) or on the COD site when issues are identified.

Cindy De Ione
Executive Director
Office of Financial Aid
215 571-4545



Drexel Central - Student Financial and Registration Services

2016-004: Written Arrangements with another Institution, Consortium, or Organization to Provide Educational Programs

Management accepts the auditor's recommendations. We are currently working with the organization to make changes to the program's master curriculum and in the delivery of the course offerings that would fully satisfy the conditions set forth at 34 CFR Section 668.5. We have taken immediate steps to cease any continued federal funding for students in this program until the educational program is brought into full compliance with 34 CFR 668.5 requirements for written arrangements with ineligible organizations.

Cindy De Lone
Executive Director
215 571-4545