ANNUAL FINANCIAL REPORT

2011 2012

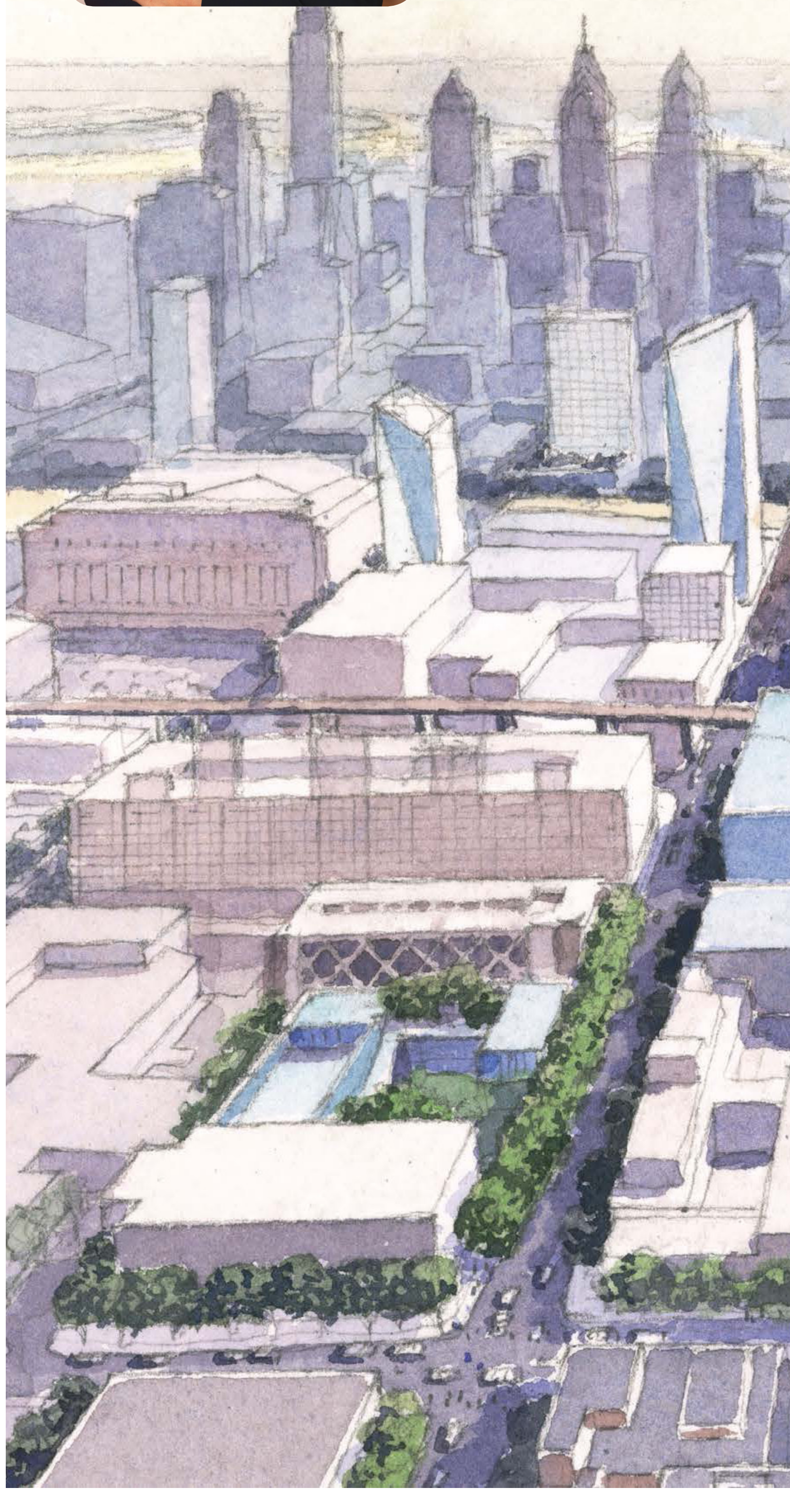
Penn
UNIVERSITY *of* PENNSYLVANIA

UNIVERSITY OF PENNSYLVANIA FINANCIAL REPORT 2011-2012

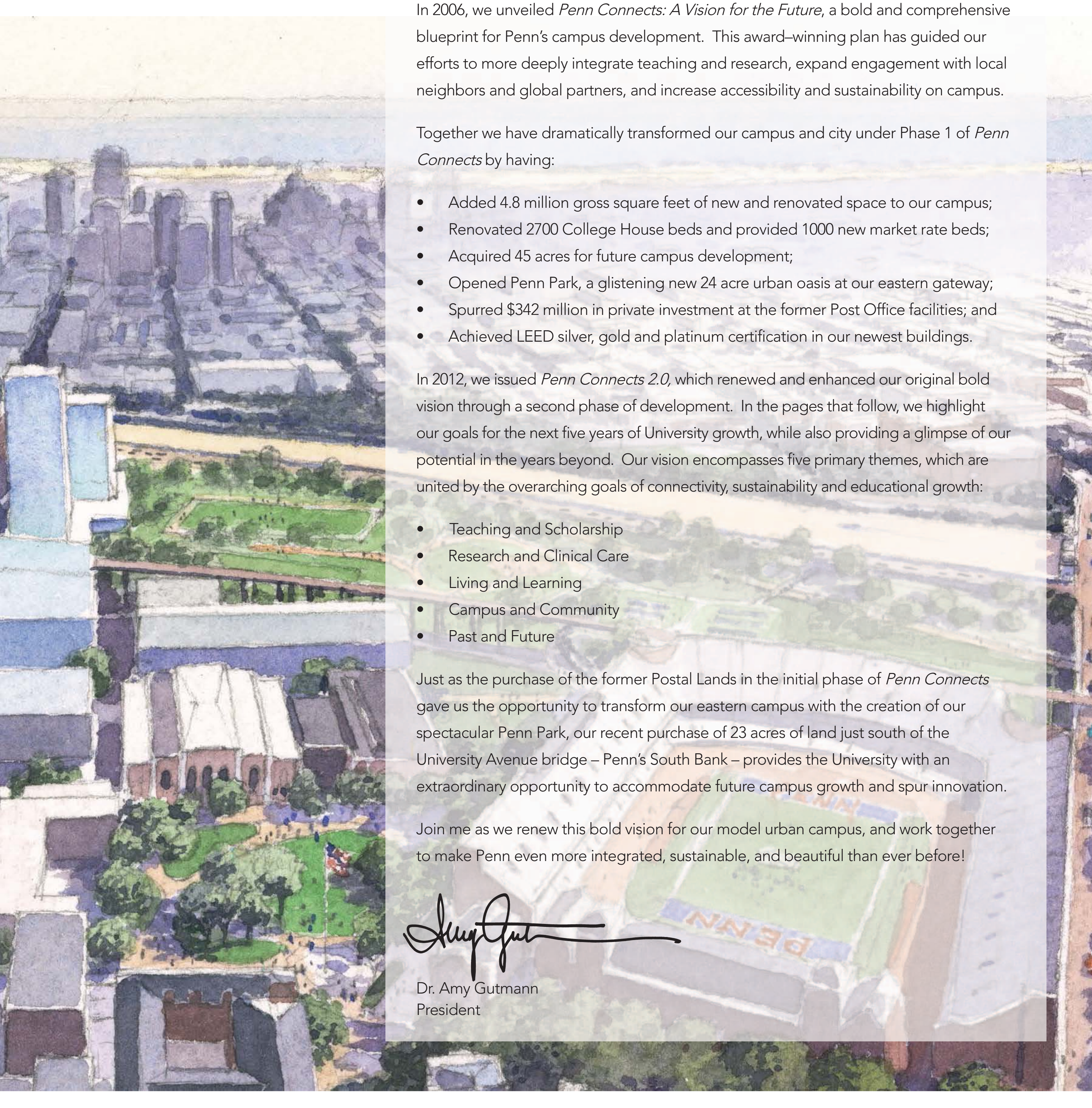
Penn
University *of* Pennsylvania

Amy Gutmann

President
University of Pennsylvania



PENN CONNECTS – RENEWING THE VISION FOR A MODEL URBAN CAMPUS



In 2006, we unveiled *Penn Connects: A Vision for the Future*, a bold and comprehensive blueprint for Penn's campus development. This award–winning plan has guided our efforts to more deeply integrate teaching and research, expand engagement with local neighbors and global partners, and increase accessibility and sustainability on campus.

Together we have dramatically transformed our campus and city under Phase 1 of *Penn Connects* by having:

- Added 4.8 million gross square feet of new and renovated space to our campus;
- Renovated 2700 College House beds and provided 1000 new market rate beds;
- Acquired 45 acres for future campus development;
- Opened Penn Park, a glistening new 24 acre urban oasis at our eastern gateway;
- Spurred $342 million in private investment at the former Post Office facilities; and
- Achieved LEED silver, gold and platinum certification in our newest buildings.

In 2012, we issued *Penn Connects 2.0,* which renewed and enhanced our original bold vision through a second phase of development. In the pages that follow, we highlight our goals for the next five years of University growth, while also providing a glimpse of our potential in the years beyond. Our vision encompasses five primary themes, which are united by the overarching goals of connectivity, sustainability and educational growth:

- Teaching and Scholarship
- Research and Clinical Care
- Living and Learning
- Campus and Community
- Past and Future

Just as the purchase of the former Postal Lands in the initial phase of *Penn Connects* gave us the opportunity to transform our eastern campus with the creation of our spectacular Penn Park, our recent purchase of 23 acres of land just south of the University Avenue bridge – Penn's South Bank – provides the University with an extraordinary opportunity to accommodate future campus growth and spur innovation.

Join me as we renew this bold vision for our model urban campus, and work together to make Penn even more integrated, sustainable, and beautiful than ever before!

Dr. Amy Gutmann
President

FY 2012 FINANCIAL REVIEW

From the Vice President for Finance and Treasurer STEPHEN D. GOLDING

Fiscal Year 2012 was a challenging year that produced sound, though modest, financial results. There were several major accomplishments during the year, most significantly the Making History Campaign, which entered the final year of its seven-year effort and exceeded its $3.5 billion fundraising goal fifteen months ahead of the campaign end date. Also notable, the University embarked on an innovative new program to tackle the backlog of campus facility renewal and energy efficiency needs through the issuance of $300 million in 100-year ("century") bonds. Additionally, our continued commitment to increasing access through Penn's expanded financial aid and no loan policy has enabled us to provide affordable education to the best and brightest students during a difficult economic period.

In terms of financial results for the year, total operating revenue increased by 2.1%, rising from $6.04 billion in FY 2011 to $6.16 billion in FY 2012. Of the five major components, three-Hospital and Physician Practices, Tuition and Fees as well as Investment Income- increased over the prior year, while two-Sponsored Programs and Contributions declined.

The sluggish economy, dominated by sustained high unemployment and low interest rates, coupled with the continued turbulence in world stock markets impacted a number of results. High unemployment increased the need for financial aid while nominal interest rates and investment returns impeded investment income and endowment growth and inflated pension and postretirement benefit liabilities.

TEACHING AND SCHOLARSHIP

- **Law School's Golkin Hall (completed)**
- **Singh Center for Nanotechnology (under construction)**

  The Singh Center for Nanotechnology is a collaboration between the School of Engineering and Applied Science (SEAS) and the School of Arts and Sciences (SAS). The Singh Center will create a world class research facility bringing science and technology together in one place.
- **Steinberg-Dietrich Hall addition (under construction)**

Neural Behavioral Science Building (planned)

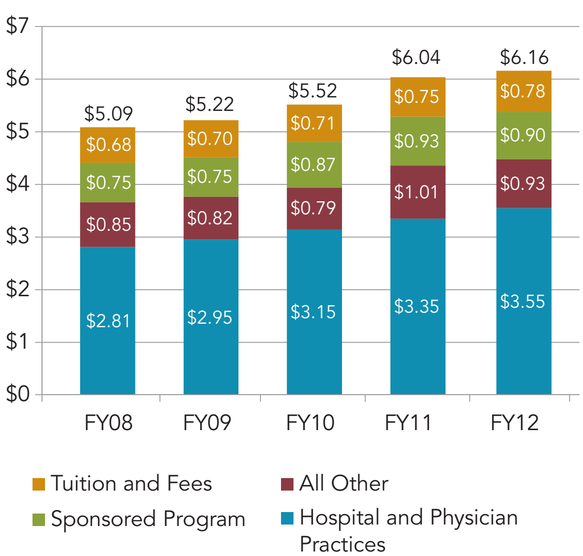
The Neural Behavioral Science Building (NBS) will house the Psychology and Biology departments, the Biological Basis of Behavior Program, and the Penn Genomics Institute, creating a vital hub for life sciences at Penn.

Total net assets registered a marginal decline of 1.4% from $9.83 billion in FY 2011 to $9.69 billion in FY 2012. This decline was primarily due to modest investment returns and lower discount rates increasing the pension liability valuation.

In March 2012, the University sold $300 million of 100-year taxable bonds, at a yield of 4.674%, the lowest yield ever achieved for a 100-year maturity. The historic low yield rate was a result of the bond market's view of the University's financial strength, debt capacity, and strong Aa2 credit rating combined with interest rates that hovered at historic lows. Proceeds from these bond sales will be used to support facility renewal projects that will yield the University substantial savings in energy costs over many years, as well as strategic modernization of older campus buildings and facilities.

Total Operating Revenue

($ in Billions)



For Fiscal Year 2012, Tuition and Student Fees revenue increased 3.9% over Fiscal Year 2011, from $747.4 million to $776.7 million, representing 12.6% of total operating revenue. This total is net of $260.3 million in financial aid grants and scholarships, which increased by $18.4 million – 7.6% – over the prior fiscal year.

5,526 undergraduates funded all or part of their education with $183.6 million from grants or tuition waivers, $18.4 million from work-study programs and $24.6 million from educational loans. Financial aid totaling $182.6 million was awarded to the 4,681 undergraduates with demonstrated financial need during FY 2012. Of this total, $167.0 million was awarded as grant or scholarship aid, with $150.0 million of that amount coming from University sources. The average unrestricted grant-aided freshman aid package increased by 5.1% over the previous year to $41,147.

10,186 graduate and professional students and PhD candidates funded all or part of their education from financial aid, receiving $154.8 million in grants, including teaching and research fellowships, $222.5 million in educational loans and $3.0 million in work-study programs. There were 7,780 post-graduate students who received grant funding.

79.8% of Penn's students aid comes from operating revenue, with the remaining 20.2% coming from endowment income. The endowment spending policy continued the dual payout rate that was established in FY 2009 to reinforce our commitment to *Increasing Access,* with a payout rate of 6.5% for student financial aid and 4.7% for all other uses. Over the past five years, aid from the endowment has increased by 169.1% and aid from operating revenue has increased by 77.6%.

RESEARCH AND CLINICAL CARE

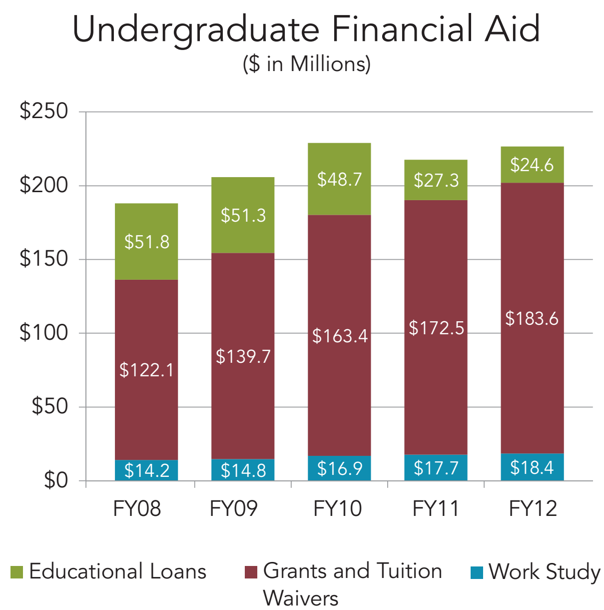
Clyde F. Barker Transplant House (completed)

The Barker Transplant House represents the reality that Penn Medicine's patient care extends beyond hospital walls to its continued commitment to improve the patient experience. The Barker Transplant House is named in honor of the physician who performed the first kidney transplant at the Hospital of the University of Pennsylvania in 1966.

South Pavilion Extension – Perelman Center for Advanced Medicine (PCAM) (under construction)

Aligned with the master plan for Penn Medicine, the South Pavilion Extension will add five floors of clinical care to the Perelman Center for Advanced Medicine. These new clinical facilities will have a direct link to the central core atrium and amenities at PCAM .

The Office of Student Registration and Financial Services and the Office of Admissions have worked in tandem to publicize the University's no loan, need-based financial aid program with continued success. There were 31,218 applications for the FY 2012 class, slightly below last year's historic high. Of this applicant total, 12.6% were admitted and 62.6% of those admitted chose to matriculate at Penn.

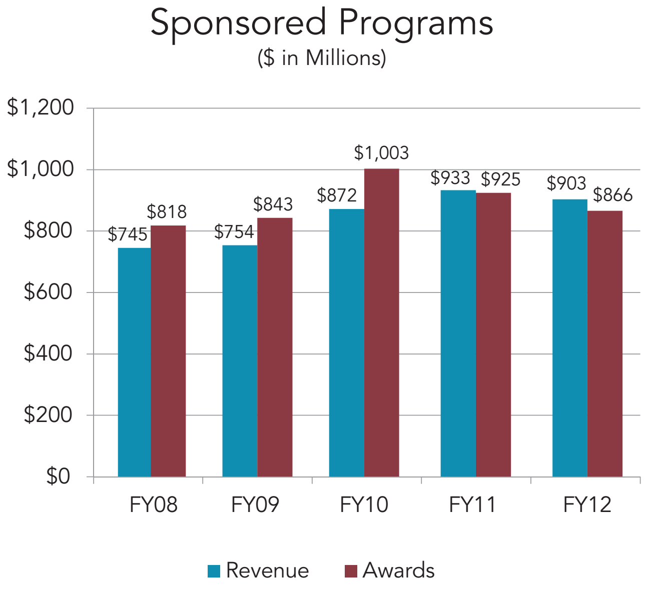


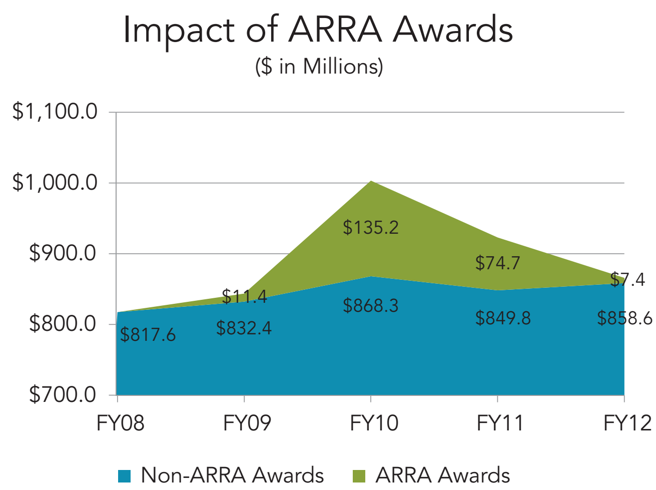
As anticipated in the University's budget, Sponsored Program revenue and awards declined as the last remnants of the additional revenue from the 2009 American Reinvestment and Recovery Act (ARRA), the economic stimulus program that had bolstered the previous three years results, came to an end.

Sponsored Programs revenue, which represented 14.7% of total operating revenue, declined 3.3% from the prior fiscal year, from $933.5 million to $903.0 million. Total awards issued to Penn in FY 2012 decreased by 6.3%, declining from $924.5 million to $866.0 million, bringing the University to award totals slightly higher than pre-ARRA levels. The federal government is the largest source of research funding for the University. A total of $618.8 million or 71.6% of Sponsored Program awards came from the federal government in FY 2012, with $496.9 million – 80.3% – of the federal total coming from the National Institutes of Health (NIH). Industry and Foundations accounted for $93.5 million, or 10.8%.

Smilow Center for Translational Research (completed)

The Smilow Center for Translational Research brings Penn's scientists and physicians together to deliver discoveries quickly and effectively to patients. The collaborative, innovative design of the center helps research teams accelerate targeted scientific discoveries for a wide range of diseases and train the next generation of physician-scientists.





Appropriations from the Commonwealth of Pennsylvania decreased by $6.1 million, or 16.9%, from $36.2 million in FY 2011 to $30.1 million in FY 2012. As the main recipient of this funding, the School of Veterinary Medicine once again endured the impact of Pennsylvania's ailing economy.

Growth in the University's endowment comes from two sources – fundraising and returns on investment. In FY 2012, consistent with conditions prevailing in the equity markets, Penn's investment performance declined significantly from the previous year, to a modest 1.6%. With $173.9 million in new gifts, however, total endowment value increased by 2.6%, from $6.58 billion in FY 2011 to $6.75 billion in FY2012.

December 31, 2012 will mark the end of *The Making History Campaign*, a seven-year, $3.50 billion fundraising effort. As of the end of FY 2012, six months before campaign end, a total of $3.88 billion had already been raised, surpassing the goal by over $380 million.

In FY 2011, total contributions reached a historic high of $497.6 million, with the transformational gift of $225 million from Raymond and Ruth Perelman to the Perelman School of Medicine. For FY 2012, total contributions – which include new gifts and pledges – were an impressive $387.6 million. Total contributions in FY 2012 broke down as follows: $167.8 million to support operations, $21.8 million to unrestricted ("quasi") endowment, $153.8 million to endowment and other nonoperating and $44.2 million towards capital.

LIVING AND LEARNING

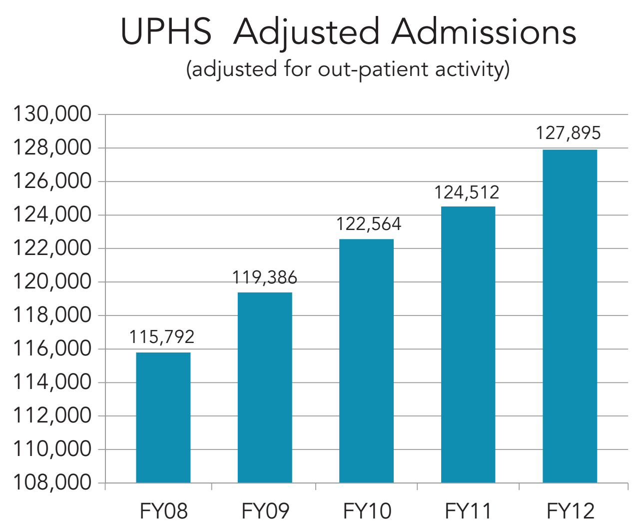
The ARCH (renovations underway)

Located on the Mezzanine level in the Weiss Pavilion at Franklin Field, the busy heart of campus where students, faculty, and visiting alumni cross paths every day, this 83-year-old Gothic Revival building is home base for three student cultural groups and the Center for Undergraduate Research and Fellowships, all of which will benefit from planned new spatial collaboration and enhanced programming. When renovations are complete, The ARCH will become a prime location for performances and exhibits, lectures and academic resources.

Education Commons (completed)

Located in the Mezzanine level at Franklin Field, the Education Commons provides an exciting new study lounge for students. With its close proximity to the David Rittenhouse Labs, the Engineering School, and numerous athletic facilities the Commons is a convenient study center for this eastern campus precinct. The study lounge is managed by the Library and features ever-popular group study rooms and casual study booths, all beneath a floating cloud ceiling framing dramatic views of Shoemaker Green.

During FY 2012, Penn received 86 gifts of more than $1.0 million, with 39 of those coming from first-time donors at that level. Contributions to the Penn Fund rose 2.6% from $30.2 million to $31.0 million and Annual Giving increased by 4.0 % from $60.5 million to $62.9 million. There were 85 new undergraduate scholarships.



Hospital and Physician Practices, the largest revenue component at 57.6% share of total operating revenue, increased by 5.9% from $3.35 billion to $3.55 billion, propelling the University of Pennsylvania Health System (UPHS) to its twelfth consecutive year of positive operating performance.

Adjusted admissions, a measure that combines inpatient admissions with outpatient activity, increased 2.7% over prior year and were led by targeted outpatient services of chemotherapy and outpatient surgery. Chemotherapy

College House at Hill Square (planned)

This 21st-century student residence will be the first to be designed and built specifically as a College House since Penn's popular College House system began in the late '90s. With 350 beds, a modern dining commons and house master suites, the new College House will offer undergraduates a premier home in which to live and learn as part of a supportive community of faculty, staff and graduate students. Student residents interested in particular fields will be able to live in clusters, and the House will have its own student managed program to present speakers and performers—all on a vibrant green quadrangle at Hill Square.

increased 14.8% over the previous year. Total surgery volume increase to 1.0% compared to the prior year. Inpatient surgery was flat, while outpatient surgery increased by 1.6%.

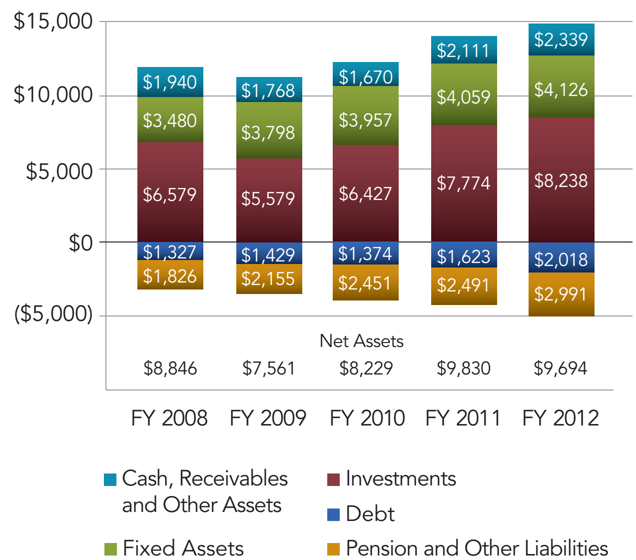
In April 2012, UPHS issued $150.0 million in long-term fixed rate, tax-exempt bonds at attractive pricing levels. Proceeds are targeted for capital projects, including extension of the Perelman Center for Advanced Medicine (PCAM) South Pavilion, an ambulatory care building at Penn Presbyterian Medical Center (PPMC), facility enhancements and expansions Pennsylvania Hospital and the Hospital of the University of Pennsylvania (HUP) and additional parking facilities on the HUP campus.

Almost all of Penn's capital expenditures are tied to *Penn Connects*, Penn's long-range vision for campus expansion and revitalization which began in 2006 with the acquisition of the U.S. Postal lands, and is now in its second phase. Capital expenditures for FY 2012 totaled $359.1 million, down from $389.9 million in FY 2011. Several major projects were completed or continued. On the east side of campus, Penn Park ($46.5 million), the 24-acre phoenix of green space, pedestrian walkways and athletic fields was opened. Later in the year, Shoemaker Green ($8.5 million), a new public commons green space surrounded by historic buildings, opened adjacent to Penn Park. A few blocks west, Penn Law's Golkin Hall ($33.6 million) opened and construction continued on the Singh Center for Nanotechnology, a joint project of the School of Engineering and Applied Science and the School of Arts and Sciences.

Total Assets exceeded $14.70 billion in FY 2012, with total liabilities at $5.0 billion. Net assets, which totaled $9.69 billion, declined $136 million from FY 2011. Despite strong operating performance – operating revenue exceeded expenses by $296.6 million – historically low interest rates affected not only investment income, but also the University's and Health System's pension and post-retirement benefits plan discount rates, the latter accounting for a $419 million reduction in net assets.

Balance Sheet

($ in Millions)



In FY 2012 the University faced a number of challenges tied to the slow pace of the economic recovery. Despite these challenges, we were able to maintain our strong financial position.

Looking ahead, uncertainty about the state of the world economy as well the U.S. strategy for dealing with debt levels and the Federal deficit poses risk for Penn's financial resources. Reductions in federal funding impact sponsored research, student aid, hospital and physician reimbursement, as well as potential effects on the economy and broader financial markets which affect fundraising, pensions and investments.

The University is fortunate to have strong leadership with clear priorities and an annunciated vision for the future defined in the principles of the Penn Compact. With the generous support of our alumni and the commitment of our outstanding faculty, talented students and dedicated staff we will continue to achieve worldwide distinction in path-breaking research, interdisciplinary scholarship and collaborative engagement locally.

Stephen D. Golding
Vice President for Finance and Treasurer

CAMPUS AND COMMUNITY

Shoemaker Green (completed)

Shoemaker Green is a new public commons, an open space of lawns, tree-lined walkways, and sitting areas. It is both a destination and a pedestrian route from Locust and Smith Walks in the core of campus to the historic buildings surrounding the space and further eastward to the new Penn Park.

Locust Walk Restoration (completed)

Spruce Street Plaza (under construction)

Penn Park (completed)

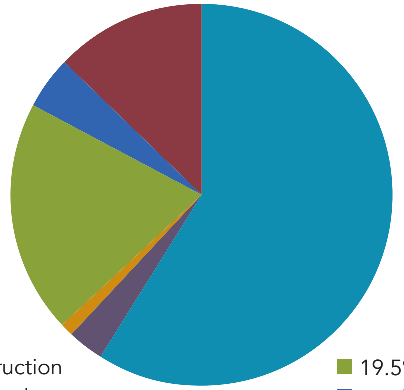
Standing as a shining example of Penn's commitment to engagement with the local community, and a hallmark of sustainable design, Penn Park is the centerpiece of Penn Connects. This project transformed 24 acres of industrial land along the Schuylkill River into an urban oasis. It dramatically opens and connects the Penn campus with University City and the greater Philadelphia region. It features public walkways, casual picnic spaces, athletic fields and spectacular views of Center City.

Endowment and Investments

The Penn endowment is comprised of 6,172 individual endowment funds benefiting the University's schools and centers as well as UPHS, and services a variety of purposes shown in the chart below. The total value of the endowment was $6.8 billion as of June 30, 2012. Payouts from the endowment provided $245 million in budgetary support to the University during the fiscal year.

Endowment by Purpose

as of June 30, 2012



Associated Investments Fund

The vast majority of the Penn's endowment is invested in the Associated Investments Fund (AIF), a pooled investment vehicle in which the many individual endowments and trusts hold shares or units. The AIF is invested in accordance with the investment policies set out by an Investment Board appointed by the Trustees of the University. The University's Office of Investments is responsible for the day-to-day management of the AIF and implements the policies set forth by the Investment Board.

The AIF is invested with the goal of achieving high, steady absolute returns while protecting against any permanent loss of capital. The portfolio is well diversified across asset classes and geographies in order to enhance returns while minimizing risk.

As of June 30, 2012, the AIF had $737 million in outstanding commitments to private equity, real estate, natural resources and equity as well as to certain managers in the absolute return portfolio. The AIF has considerable liquidity and is able to meet these commitments. As of June 30, 2012, the AIF was able to convert two-thirds of the portfolio into cash by calendar year end through the sale of directly held securities, withdrawals from mutual funds and redemptions from liquid absolute return strategies.

AIF Asset Allocation

as of June 30, 2012

	AIF
US Equities	24.5%
International Equities	15.5%
Emerging Markets	5.2%
Absolute Return	22.7%
Private Equity	8.9%
Real Estate	5.4%
Natural Resources	3.6%
High Yield	0.5%
Fixed Income/Cash	13.7%
Total	100.0%

PAST AND
FUTURE

Penn's Park South (planned)

Penn's South Bank, a 23 acre former heavy industrial site, is planned to align University-related research functions with private commercial enterprises seeking to operate in close proximity to the University and its neighboring institutions.

AIF Performance

The AIF returned a positive 1.6% for the fiscal year, as compared to a benchmark of 2.2%. The impact of the Euro zone debt crisis and uncertainty in China weighed heavily on the global equity markets over the past fiscal year. The AIF's public equities and absolute return portfolios managed to outperform their respective benchmarks while fixed income, private equity and real estate all underperformed as a result of market conditions. Although the AIF lagged the benchmark for the fiscal year, the AIF has outperformed the benchmark and the S&P 500 over longer time periods.

Annualized Returns

for Periods ending June 30, 2012

	1 -Year	3 - Year	5-Year	10-Year
AIF	1.6%	10.7%	1.9%	7.0%
Composite Benchmark	2.2%	10.8%	1.8%	6.4%
S&P 500	5.4%	16.4%	0.2%	5.3%

Cira Walnut Mixed-Use Redevelopment (planned)

A vibrant mix of uses on the former US Post Office Annex site is essential. Given that the site has prominence as a gateway to University City, a link to Center City, and is bordered by some of the most heavily trafficked routes in Philadelphia, the highest architectural, urban design, and planning standards will be part of this development.

AIF Spending Rule

The University's endowment spending policy balances the objectives of maximizing budgetary support to endowed programs while ensuring that the purchasing power of the endowment is protected against inflation. The actual payout in any given year is determined by a formula designed to smooth the impact of short-term market moves on the endowment's value. The spending rule target payout is based on the sum of: (i) 70% of the prior fiscal year distributed adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the AIF, lagged one year, multiplied by 6.5% for financial aid funds and 4.7% for all other funds.

The University expects to use the current spending rule formula with no adjustments for Fiscal Year 2013.

A Five- Year Review of Investments

(in thousands)

	2012	2011	2010	2009	2008
Investment					
Stocks	$3,013,823	$2,879,696	$2,200,115	$2,095,480	$2,578,778
Bonds	1,393,199	1,273,437	1,204,031	742,814	759,306
Short-term	601,663	496,232	458,701	478,070	468,561
Split	473,140	467,451	383,901	344,030	457,538
Real estate	362,931	296,771	237,364	250,565	317,716
Absolute	1,535,108	1,628,223	1,394,827	1,251,953	1,525,992
Private	607,969	542,827	407,484	318,304	377,521
Natural	247,192	186,336	134,519	96,187	92,235
Other	2,530	2,905	5,621	1,325	1,274
Total	$8,237,555	$7,773,878	$6,426,563	$5,578,728	$6,578,921
Endowment					
Fair value	$6,754,658	$6,582,030	$5,668,937	$5,170,539	$6,211,620
AIF	$6,770,032	$6,564,863	$5,518,093	$4,955,689	$5,914,800

* Total investments held by the University not invested in the Associated Investment Fund include $473 million held in trust, $102 million in assets held under indenture and escrow agreements, $523 million in other investments held by UPHS and $370 million in other investments held by the University.

Management Responsibilities for Financial Statements

The University of Pennsylvania encompasses the academic University and the University of Pennsylvania Health System (UPHS). The academic University and UPHS have their own separate management with responsibility for their respective financial reporting.

The academic University oversees the process of consolidating UPHS's information into the consolidated financial statements. Management of the academic University and UPHS is responsible for the integrity and objectivity of their respective portions of these financial statements and represents that, with respect to its financial information, the consolidated financial statements in this annual report have been prepared in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been audited by the University's independent auditors, PricewaterhouseCoopers LLP. Their audit opinion, on the following page, expresses an informed judgment as to whether the consolidated financial statements, considered in their entirety, present fairly, in conformity with generally accepted accounting principles, the consolidated financial position and changes in net assets and cash flows. The independent auditors' opinion is based on audit procedures described in their report, which include obtaining an understanding of systems, procedures and internal accounting controls, and performing tests and other audit procedures to provide reasonable assurance that the financial statements are neither materially misleading nor contain material errors.

The University maintains a system of internal controls over financial reporting, which is designed to provide a reasonable assurance to the University's management and Boards of Trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of the internal control system can change with circumstances.

The Board of Trustees of the academic University and the separate Board of Trustees of Penn Medicine, through their respective Audit and Compliance Committees comprised of trustees not employed by the University or UPHS, are responsible for engaging the independent auditors and meeting with management, internal auditors and the independent auditors to independently assess whether each is carrying out its responsibilities. Both the internal auditors and the independent auditors have full and free access to the respective Audit Committees.

Amy Gutmann President	Craig R. Carnaroli Executive Vice President	Stephen D. Golding Vice President for Finance and Treasurer	John Horn Comptroller

Report of Independent Auditors

To the Trustees of the University of Pennsylvania:

In our opinion, the accompanying statement of consolidated financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of the University of Pennsylvania (the University) at June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2011 financial statements, and in our report dated September 16, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 21, 2012

PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, PA 19103-7042
T: (267) 330 3000, F: (267) 330 3300, www.pwc.com/us

Consolidated Statements of Financial Position

University of Pennsylvania
(in thousands)

	June 30, 2012	June 30, 2011
Assets		
Cash and cash equivalents	$ 1,123,975	$ 965,096
Accounts receivable, net of allowances of $12,682 and $13,571	275,776	253,935
Patient receivables, net of allowances of $131,101 and $110,292	352,468	347,063
Contributions receivable, net	278,718	249,483
Loans receivable, net of allowances of $3,219 and $3,036	96,013	99,638
Other assets	210,403	194,168
Assets held for sale	1,949	1,949
Investments, at fair value	8,237,555	7,773,878
Plant, net of depreciation	4,125,743	4,059,152
Total assets	$ 14,702,600	$ 13,944,362
Liabilities		
Accounts payable	$ 149,661	$ 153,571
Accrued expenses and other liabilities	1,339,836	1,261,114
Deferred income	177,267	160,657
Deposits, advances, and agency funds	130,914	147,767
Federal student loan advances	78,655	78,287
Accrued retirement benefits	1,114,156	690,164
Debt obligations	2,018,485	1,623,007
Total liabilities	5,008,974	4,114,567
Net assets		
Unrestricted	4,913,911	5,102,726
Temporarily restricted	2,017,544	2,107,041
Permanently restricted	2,762,171	2,620,028
	9,693,626	9,829,795
Total liabilities and net assets	$ 14,702,600	$ 13,944,362

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

University of Pennsylvania
for the year ended June 30, 2012 (with summarized financial information for the year ended June 30, 2011)
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	2011
Revenue and other support:					
Tuition and fees, net	$ 776,651			$ 776,651	$ 747,399
Commonwealth appropriations	30,129			30,129	36,248
Sponsored programs	903,009			903,009	933,461
Contributions	72,176	$ 117,505		189,681	306,770
Investment income	139,978	170,580		310,558	291,089
Hospitals and physician practices	3,548,424			3,548,424	3,351,130
Sales and services of auxiliary enterprises	108,467			108,467	105,159
Other income	234,037			234,037	199,969
Independent operations	60,695			60,695	64,807
Net assets released from restrictions	241,041	(241,041)			
	6,114,607	47,044		6,161,651	6,036,032
Expenses:					
Program:					
Instruction	1,085,138			1,085,138	1,024,654
Research	704,411			704,411	720,200
Hospitals and physician practices	3,340,845			3,340,845	3,128,086
Auxiliary enterprises	126,386			126,386	119,926
Other educational activities	191,639			191,639	173,755
Student services	67,917			67,917	65,586
Support:					
Academic support	71,101			71,101	69,919
Management and general	211,663			211,663	192,909
Independent operations	65,947			65,947	62,197
	5,865,047			5,865,047	5,557,232
Increase in net assets before nonoperating revenue, net gains, reclassifications and other	249,560	47,044		296,604	478,800
Nonoperating revenue, net gains, reclassifications and other:					
(Loss) gain on investments, net	(17,680)	7,903	$ (2,255)	(12,032)	1,006,656
Investment income, net of amounts classified as operating revenue	(59,746)	(140,786)	819	(199,713)	(183,090)
Contributions		54,384	143,579	197,963	190,855
Pension and other postretirement plan adjustments	(418,991)			(418,991)	107,468
Net assets released from restrictions	58,042	(58,042)			
(Decrease) increase in net assets	(188,815)	(89,497)	142,143	(136,169)	1,600,689
Net assets, beginning of year	5,102,726	2,107,041	2,620,028	9,829,795	8,229,106
Net assets, end of year	$ 4,913,911	$ 2,017,544	$ 2,762,171	$ 9,693,626	$ 9,829,795

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

Consolidated Statements of Cash Flows

University of Pennsylvania
for the years ended June 30, 2012 and 2011
(in thousands)

	2012	2011
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (136,169)	$ 1,600,689
Adjustment to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	298,533	287,314
Provision for bad debts	188,382	151,579
Loss on early retirement of debt	-	693
Loss (gain) on investments, net	12,032	(1,006,656)
Loss on disposal of plant, property and equipment	5,452	149
Donated equipment	(1,243)	(2,139)
Receipt of contributed securities	(47,569)	(42,518)
Proceeds from contributions received designated for the acquisition of long-lived assets and long-term investment	(186,969)	(340,137)
Pension and other postretirement plan adjustments	418,991	(107,468)
Changes in operating assets and liabilities:		
Patient, accounts and loans receivable	(209,146)	(279,141)
Contributions receivable	(30,755)	16,410
Other assets	(11,238)	(38,297)
Accounts payable, accrued expenses and accrued retirement benefits	35,690	152,730
Deposits, advances and agency funds	(16,808)	(4,966)
Deferred income	16,610	9,011
Net cash provided by operating activities	335,793	397,253
Cash flows from investing activities:		
Purchase of investments	(6,787,443)	(6,585,270)
Proceeds from sale of investments	6,360,499	6,398,525
Proceeds from sale of contributed securities	47,569	42,518
Purchase of plant, property and equipment	(359,060)	(389,934)
Net cash used by investing activities	(738,435)	(534,161)
Cash flows from financing activities:		
Proceeds from contributions received designated for the acquisition of long-lived assets and long-term investment	165,552	174,398
Federal student loan advances	368	18
Repayment of long-term debt	(50,863)	(125,879)
Proceeds from issuances of long-term debt	446,464	374,557
Net cash provided by financing activities	561,521	423,094
Net increase in cash and cash equivalents	158,879	286,186
Cash and cash equivalents, beginning of year	965,096	678,910
Cash and cash equivalents, end of year	$ 1,123,975	$ 965,096
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 64,016	$ 48,391
Contributed securities acquired and sold	$ 47,569	$ 42,518
Accrued plant, property and equipment acquisitions	$ 51,386	$ 39,178
Assets contributed under split-interest agreements	$ 21,417	$ 165,739

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

1. Significant Accounting Policies

Organization

The University of Pennsylvania (the University), located in Philadelphia, Pennsylvania, is an independent, nonsectarian, not-for-profit institution of higher learning founded in 1740. The University Academic Component (Academic Component) provides educational services, primarily for students at the undergraduate, graduate, professional and postdoctoral levels and performs research, training and other services under grants, contracts and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government. The University also operates an integrated health care delivery system, the University of Pennsylvania Health System (UPHS). The University is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and its subsidiaries, over which the University has a controlling financial interest or exercises control. All material transactions between the University and its subsidiaries are eliminated in consolidation. Investments in subsidiaries over which the University has the ability to exercise significant influence are reported using the equity method of accounting. Other investments in subsidiaries are reported using the cost method of accounting.

The net assets of the University are classified and reported as follows:

> Unrestricted - Net assets that are not subject to donor-imposed restrictions.
>
> Temporarily restricted - Net assets that are subject to legal or donor-imposed restrictions that will be met by actions of the University and/or the passage of time. These net assets include gifts donated for specific purposes and appreciation on permanent endowment, which is restricted by Pennsylvania law on the amounts that may be expended in a given year.
>
> Permanently restricted – The original value of donor restricted net assets, the use of which is limited to investment and can only be appropriated for expenditure by the University in accordance with the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act).

Expenses are reported as a decrease in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions recognized on net assets are reported as net assets released from restrictions from temporarily restricted net assets to unrestricted net assets. Donor-restricted resources intended for the acquisition or construction of long-lived assets are initially reported as temporarily restricted net assets and released from restrictions from temporarily restricted net assets to unrestricted net assets when the asset is placed in service.

Gains on operating assets and liabilities, such as property, plant and equipment sales, license sales, contract settlements and debt retirements are reported in Other income. Losses on operating assets and liabilities are reported in the appropriate expense category. Gains or losses associated with investment activities are included in net gains (losses) on investments.

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2011 from which the summarized information was derived. Certain reclassifications have been made to previously reported amounts to conform to the current presentation. The University monitors for material subsequent events that may require adjustment to or disclosure in the consolidated financial statements from the Statements of Position date through September 21, 2012.

Fair Value

The University values certain financial and non-financial assets and liabilities by applying the FASB pronouncement on *Fair Value Measurements*. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. 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 at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the University as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The University is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

Assets and liabilities are disclosed in the Consolidated Notes to Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The University's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.

As a practical expedient, the University is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US generally accepted accounting principles (US GAAP). The University's investments in private equity, natural resources, real estate and certain hedge funds in the absolute return portfolio are generally valued based on the most current NAV adjusted for cash flows when the reported NAV is not at the measurement date. This amount represents fair value of these investments at June 30, 2012 and 2011.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments and are carried at cost which approximates fair value. Unrestricted short-term investments available for current operations with maturities of three months or less when purchased are classified as cash equivalents.

Loans Receivable

Student loans receivable are reported at their net realizable value. Such loans include donor-restricted and federally-sponsored student loans with mandated interest rates and repayment terms. Determination of the fair value of Student loans receivable is not practicable.

The University records an allowance for doubtful accounts related to Student loans receivable as follows (in thousands):

	2012		2011	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Federally-sponsored student loans	$ 72,544		$ 76,771	
Other student loans	16,269	$ 2,997	16,427	$ 2,844
Total	$ 88,813	$ 2,997	$ 93,198	$ 2,844

Changes in the allowance for doubtful accounts related to Other student loans receivable as of June 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
July 1	$ 2,844	$ 2,789
Add: Provisions	277	113
Less: Write-offs	(17)	-
Less: Recoveries	(107)	(58)
June 30	$ 2,997	$ 2,844

The University regularly assesses the adequacy of the allowance for doubtful accounts related to Student loans receivable by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan program, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University also performs a detailed review of the aging of the Student loan receivable balances and of the default rate by loan program in comparison to prior years. The level of the allowance is adjusted based on the results of this analysis. The University considers the allowance recorded at June 30, 2012 to be reasonable and adequate to absorb potential credit losses inherent in the student loan portfolio.

The federally-sponsored student loans receivable represents amounts due from current and former students under various Federal Government funded loan programs, including Perkins and other health professional programs offered to graduate and undergraduate students. Loans disbursed under these programs are able to be assigned to the Federal Government upon default by the borrower, and therefore, no related allowance is considered necessary. Funding received under these programs is ultimately refundable to the Federal Government in the event the University no longer participates and accordingly is reported as a liability in Federal student loan advances in the Consolidated Statements of Position.

Investments Including Endowments

The University's endowment consists of 5,214 donor-restricted permanent or term endowment funds and 958 unrestricted endowment funds established by the Board of Trustees for a variety of purposes. The majority of the endowment funds of the University have been pooled in the University's Associated Investments Fund (AIF), which is invested in equities, bonds, hedge funds, natural resources, private equity and real estate limited partnerships. The endowment funds not pooled in the AIF are primarily invested in equities and bonds.

The AIF is invested in accordance with the investment policies set out by an Investment Board which has been appointed by the Trustees. The Office of Investments is responsible for the day-to-day management of the portfolio including identifying, selecting and monitoring a variety of external investment managers to implement the strategic asset allocation set forth by the Investment Board. The University's investment portfolio may include marketable and not readily marketable securities that it intends to hold for an indefinite period of time. The University reports all endowment investments at fair value. Changes in the fair value of investments are reported in (Loss) gain on investments, net, in the Consolidated Statements of Activities.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Act governs the investment, use and management of the University's endowment funds.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, the University classifies as permanently restricted net assets for reporting purposes: (i) the original value of gifts donated to the permanent endowment; (ii) the original value of subsequent gifts to the permanent endowment; and (iii) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 University. The Pennsylvania Act allows a nonprofit to elect to appropriate for expenditure between 2% and 7% of the endowment fair value, determined at least annually and averaged over a period of three or more preceding years.

In accordance with the Pennsylvania Act, the University has elected to adopt and follow an investment policy seeking a total return for the investments held by the AIF, whether the return is derived from appreciation of capital or earnings and distributions with respect to capital or both. The endowment spending policy which the Board has elected to govern the expenditure of funds invested in the AIF is designed to manage annual spending levels and is independent of the cash yield and appreciation of investments for the year. For Fiscal Year 2012, the spending rule target payout was based on the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the AIF, lagged one year, multiplied by 6.5% for financial aid funds and 4.7% for all other funds. The payout or allocation to operations exceeded actual income, net of expenses and net of income permanently reinvested, by $206,460,000 in 2012 and by $190,424,000 in 2011.

The University expects to use the current spending rule formula with no adjustments for Fiscal Year 2013.

Short-Term Investments

Short-term investments include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

Equity Investments

Equity investments consist of separate accounts, mutual funds, exchange traded funds, commingled funds and limited partnerships. Securities held in separate accounts, mutual funds and exchange traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied. Commingled funds are valued at NAV and are categorized as Level 2. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date, June 30, at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Debt Investments

Debt investments consist of separate accounts and a single limited partnership. Securities such as US Treasuries, which are held in separate accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as high yield bonds and bank loans, which are held in separate accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where they trade infrequently as Level 3. A limited partnership interest in a fund dedicated to credit investments is valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV, the investment is classified at Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Absolute Return Portfolio

The absolute return portfolio is made up of investments of limited partnership interests in hedge funds. The fund managers invest in a variety of securities based on the strategy of the fund which may or may not be quoted in an active market. Illiquid investments, if any, are generally designated as a side pocket by hedge fund managers and may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. Side pocket investments would be classified as Level 3.

Private Equity, Real Estate and Natural Resources Investments

Investments in private equity, real estate and natural resources are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3. The natural resources investments also include an exchange traded fund which is valued based on quoted market prices in active markets and is categorized as Level 1.

Derivatives

i. Forward Currency Contracts

The University enters into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date as a hedge or cross hedge against either specific non-US dollar denominated transactions or portfolio positions.

In a forward foreign currency contract, the University agrees to receive or deliver a fixed quantity of one currency for another, at a pre-determined price at a future date. Purchases and sales of forward foreign currency contracts having the same notional value, settlement date and counterparty are generally offset (which result in a net foreign currency position of zero with the counterparty) and any realized gains or losses are recognized on settlement date. The terms of forward foreign currency contacts are not standardized and they are not traded on organized exchanges.

The fair value of forward foreign currency contracts is based on the price at which a new forward foreign currency contract of the same notional value, currency and maturity could be affected at the close of business in the principal currency markets in which these currencies are traded. The inputs used to determine fair value can generally be corroborated by market data and are therefore categorized as Level 2.

ii. Futures Contracts

The University purchases or sells futures contracts to manage changes in interest rates, securities prices, currency exchange rates, or to seek to increase total return. Futures contracts are contracts to buy or sell a standardized quantity of a specified commodity and valued based on exchange settlement prices and are therefore categorized as Level 1. Initial margin deposits, in either cash or securities, are required to trade in the futures market. Variation margin is received or paid, depending on whether unrealized gains or losses are incurred. Unrealized gains or losses on futures contracts are recognized to reflect the fair value of the contracts and are included as a component of (Loss) gain on investments, net in the Consolidated Statements of Activities. When the contract is terminated, the University will recognize a realized gain or loss equal to the difference between the value of the contract at the time it was entered into and the time it closed.

Investment Risk

The University's investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the University's investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities. The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on remaining estimated life, current redemption terms and restrictions by asset class and type of investment are provided below:

	Remaining Life	Redemption Terms	Redemption Restrictions
Short-term	N/A	Daily	None
Equity investments			
Separate accounts	N/A	Daily	None
Mutual funds	N/A	Daily	None
Exchange traded funds	N/A	Daily	None
Commingled funds	N/A	Monthly with notice periods of 1 to 6 days	None except for one fund with a 9 month payout period
Partnerships	N/A	Monthly to annually with notice periods of 30 to 180 days	Lock-up provisions ranging from 0 to 3 years and $9 million of illiquid side pocket investments
Debt investments			
Separate accounts	N/A	Daily	None
Partnerships	N/A	N/A	$3 million of illiquid side pocket investments
Absolute return	N/A	Quarterly, annually and 2 year partial rolling with varying notice periods. Excludes 9 limited partnerships with no redemptions permitted. Distributions received as underlying investments are liquidated.	Lock-up provisions ranging from 0 to 2 years partial rolling with some earlier redemptions permitted subject to redemption fee. Excludes $346 million in 9 limited partnerships with no redemptions permitted and $145 million of illiquid side pocket investments.
Real estate	1 to 15 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Private equity	1 to 18 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Natural resources	4 to 14 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A

Plant

Plant is stated at cost, or fair value at the date of donation based on independent appraisals, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 50 years for buildings and improvements and 4 to 20 years for contents and equipment. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting net gain or loss is included in other income or total expenses, respectively. Rare books and other collectibles, which appreciate in value, are not subject to depreciation.

Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

The University recognizes assets contributed to charitable remainder trusts, charitable gift annuities and pooled income funds, where it serves as trustee, at fair value, recognizes a liability to the beneficiaries based on the present value of the estimated future payments to beneficiaries to be made over the estimated remaining life of those beneficiaries using current market rates at the date of the contribution, and recognizes the difference as contribution revenue. Subsequently, the trust assets, invested in equity and debt securities, are measured at fair value on a recurring basis at quoted market prices, and are categorized as Level 1, with the changes reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and (Loss) gain on investments, net on the Consolidated Statements of Activities. Changes in the measurement of the liabilities to beneficiaries are reported as an adjustment to Accrued expenses and other liabilities on the Consolidated Statements of Position and (Loss) gain on investments, net on the Consolidated Statements of Activities.

Charitable remainder trust assets, where the University does not serve as trustee, are initially valued using the current fair value of the underlying assets, using observable market inputs based on its beneficial interest in the trust, discounted to a single present value using current market rates at the date of the contribution. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the Consolidated Statements of Position and as Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and (Loss) gain on investments, net on the Consolidated Statements of Activities.

Perpetual trust assets are initially valued at the current fair value of the underlying assets using observable market inputs based on its beneficial interest in the trust. The initially contributed assets are categorized as Level 3 and are reported as Investments, at fair value on the Consolidated Statements of Position and as Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and (Loss) gain on investments, net on the Consolidated Statements of Activities.

Charitable lead trust assets contributed prior to July 1, 2010 were initially valued based on estimated future payments discounted to a single present value using current market rates at the date of the contribution, matched to the payment period of the agreement. Effective July 1, 2010, the University elected to fair value new charitable lead trust assets contributed under the FASB *Fair Value Option* standard to more appropriately approximate the value that would be received if the right to these future payments could be sold. The University values these assets by discounting future cash flows using current market rates at the measurement date, matched to the payment period of the agreement. The impact of the adoption of this standard was not material. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the Consolidated Statements of Position and as Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and (Loss) gain on investments, net on the Consolidated Statements of Activities.

Income Taxes

The University is a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Most of its activities and income are related to its exempt purposes and are exempt from federal and state income taxes. None of its activities and income is subject to Pennsylvania income tax. Unrelated activities and income including certain sales of healthcare related products and services and certain sales of computer hardware and software are subject to federal "Unrelated Business Income Tax". Investments in certain partnerships are subject to state (other than Pennsylvania), where applicable, and federal "Unrelated Business Income Tax".

The University evaluates its tax position based on the FASB standard on *Accounting for Uncertainty in Income Taxes*, which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions. The first step is recognition: the University determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the University presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Difference between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in an increase in a liability for income taxes payable or a reduction of an income tax refund receivable.

Income tax expense, including any related penalties and interest, for operating activities are reported in the same functional expense category as the activity. Income tax expense, including any related penalties and interest, for investing activities are reported with the associated investment activity in investment income or investment gains and losses.

Tuition and Fees

The University maintains a policy of offering qualified undergraduate applicants admission to the University without regard to financial circumstance. This policy provides financial aid to eligible students in the form of direct grants and employment during the academic year. The University maintains a no-loan policy whereby any qualified undergraduate student with demonstrated financial need receives a loan-free aid package. Students may still borrow at their discretion to supplement their aid packages. Tuition and fees have been reduced by certain grants and scholarships in the amount of $260,227,000 in 2012 and $241,861,000 in 2011.

Sponsored Programs

The University receives grant and contract revenue from governmental and private sources. In 2012 and 2011, grant and contract revenue earned from governmental sources totaled $794,698,000 and $804,212,000, respectively, of which revenue earned under the American Recovery and Reinvestment Act (ARRA) totaled $44,586,000 and $90,378,000. The University recognizes revenue associated with the direct and the applicable indirect costs of sponsored programs as the related costs are incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on federally-sponsored programs are generally based on predetermined reimbursement rates which are stated as a percentage and distributed based on the modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Contributions

Contributions are reported as increases in the appropriate net asset category based on donor restrictions. Contributions, including unconditional promises to donate, cash and other assets, are recognized as revenue in the period received. Contributions designated for the acquisition of long-lived assets and long-term investment are reported in Nonoperating revenue, net gains, reclassifications and other. Unconditional pledges received prior to July 1, 2010 are recognized at their estimated net present value using current market rates, at the date of the pledge, ranging from 0.90% to 5.82%, net of an allowance for uncollectible amounts, and are classified in the appropriate net asset category.

Effective July 1, 2010, the University elected to fair value new unconditional pledges received under the FASB *Fair Value Option* standard to more appropriately approximate the value that would be received if the right to these future payments could be sold. The University values these assets by discounting future cash flows using current market rates at the measurement date, ranging from 1.13% to 2.98%, matched to the payment period of the agreement. The impact of the adoption of this standard was not material.

Hospital and Physician Practices

Hospital and physician practices revenue is derived primarily from UPHS patient services and is accounted for at established rates on the accrual basis in the period the service is provided. Patient service revenue is net of charity care and community services. Certain revenue received from third-party payers is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in operations currently.

Allocation of Certain Expenses

The Consolidated Statements of Activities presents expenses by functional classification. Operation and maintenance of plant and depreciation are allocated to functional classifications based on square footage. Interest expense is allocated to the functional classifications of the activity that directly benefited from the proceeds of the debt.

Use of Estimates

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

Recent Authoritative Pronouncements

In July 2011, FASB issued a standard on *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This standard requires reporting of provision for bad debts associated with patient service revenue as a reduction of patient service revenue (net of contractual allowances and discounts) rather than an operating expense for entities that recognize revenue at the time services are rendered without assessing a patient's ability to pay. This standard also requires the enhanced disclosure of revenue recognition and bad debt assessment policies as well as qualitative and quantitative information regarding change in allowance for doubtful accounts. This standard is effective for nonpublic entities for fiscal years ending on or after December 15, 2012 and as such, the University will continue to evaluate the effect of the standard on its consolidated financial statements.

In May 2011, FASB issued a standard on *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This standard requires disclosure of the valuation process, including quantitative information about the unobservable inputs, for Level 3 fair value measurements. This standard is effective for fiscal years beginning after December 15, 2011, and as such, the disclosures pertaining to this standard will be expanded in Fiscal Year 2013.

2. University of Pennsylvania Health System - Summarized financial information

The Trustees of the University of Pennsylvania formed Penn Medicine, the governance structure which oversees the activities of UPHS and the University of Pennsylvania Perelman School of Medicine. The governing body operates, oversees and coordinates the academic, research and clinical missions of Penn Medicine.

UPHS is comprised of the Clinical Practices of the University of Pennsylvania, Clinical Care Associates, Hospital of the University of Pennsylvania, Penn Presbyterian Medical Center, Pennsylvania Hospital of the University of Pennsylvania Health System, Wissahickon Hospice of the University of Pennsylvania Health System, Franklin Casualty Insurance Company, a wholly owned Risk Retention Group, and Quaker Insurance Company Ltd., a wholly owned offshore captive insurance company, (collectively referred to as RRG/Captive).

Throughout the year, certain transactions are conducted between UPHS and the University. The effect of these transactions (primarily billings for allocations of common costs, physicians' salaries and benefits, certain purchased services and support for the Perelman School of Medicine) is included in the summarized financial information of UPHS. The University owed UPHS $930,000 and $5,370,000 at June 30, 2012 and 2011, respectively, which represents normal current inter-entity activity which is eliminated in the consolidated financial statements.

Nonoperating, net includes transfers to the University of $100,186,000 and $118,780,000 in 2012 and 2011, respectively, to further the research and educational activities of the Perelman School of Medicine and $2,421,000 and $2,011,000 in 2012 and 2011, respectively, for other activities. In addition, UPHS recognized operating expenses of $20,676,000 and $20,379,000 in 2012 and 2011, respectively, to support academic operating activities in the clinical departments of the Perelman School of Medicine. These transfers are eliminated in the consolidated financial statements.

Final adjustments to revenue, resulting from settlements with third-party payers, are recorded in the year in which they are settled. The 2012 and 2011 net patient service revenue was increased by $12,817,000 and $10,966,000, respectively, as a result of final settlements and the revision or removal of allowances previously estimated that were no longer necessary.

During 2007, UPHS and Independence Blue Cross (IBC) reached agreement on terms of a five-year agreement. Payments made for inpatient services provided to IBC traditional and managed care subscribers are effected on a per case rate basis for most procedural based services and high intensity medical cases (over 60% of all inpatient admissions) and a per diem basis for all other services. Payment for outpatient services is principally based upon negotiated fee schedules. Hospital rates also provide for annual inflationary increases. This agreement concluded at the end of Fiscal Year 2012 and a new four-year agreement was reached effective July 1, 2012, with terms similar to the previous agreement and also includes additional payments made based on improvements in quality and outcomes (i.e. "pay for performance").

During 2010, UPHS and Aetna reached agreement on terms of a five-year agreement. The terms of the agreement provide payments for inpatient hospital services on a per case rate basis. Payments for outpatient services continue to be predominantly based upon negotiated fee schedules.

UPHS also has reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

During 2012, UPHS received the initial payment of the incentive relating to Electronic Health Records (EHR), as part of ARRA. The Health Information Technology for Economic and Clinical Health Act provision within ARRA allowed for incentives of $19 billion to hospitals who implement and meaningfully use EHR technology by 2014. In accordance with FASB's standard on *Gain Contingencies*, when all contingencies have been met and the funds have been received, UPHS recognizes these incentives as Other revenue. UPHS received $5,118,000 as of June 30, 2012.

Charity Care

UPHS provides services to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than UPHS' established rates. Because UPHS does not pursue collections, such amounts have been excluded from Net Patient service revenue.

In August 2010, FASB issued a standard on *Measuring Charity Care for Disclosure*. In accordance with this standard, UPHS estimates the costs of providing charity care services based on data derived from a combination of UPHS' cost accounting system and the ratio of costs to charges. Of the Total expenses reported by UPHS below, an estimated $8,012,000 and $8,050,000 were incurred as a result of providing services to charity patients for the years ended June 30, 2012 and 2011, respectively.

Summarized financial information for UPHS as of and for the years ended June 30, 2012 and 2011, prior to eliminations for transactions between UPHS and other entities of the University, is as follows (in thousands):

	2012	2011
Net Patient service	$ 3,374,627	$ 3,187,845
Other revenue	189,218	179,318
Total expenses	(3,346,665)	(3,130,834)
Excess of revenues over expenses from operations	217,180	236,329
Other unrestricted income, net	37,912	110,726
Excess of revenue over expenses	255,092	347,055
Nonoperating, net	(388,820)	(27,892)
Unrealized (loss) gain, net	(7,990)	43,808
(Decrease) increase in net assets	$ (141,718)	$ 362,971
Total current assets	$ 1,073,014	$ 910,956
Assets whose use is limited		
(including board designated funds of $477,548 and $472,493 and		
trustee held funds of $105,619 and $20,544 for 2012 and 2011, respectively)	1,107,585	1,026,121
Plant, net of depreciation	1,338,179	1,322,427
Investments and other assets	880,708	843,630
Total assets	$ 4,399,486	$ 4,103,134
Total current liabilities	$ 619,679	$ 553,673
Long-term debt, net of current portion	798,848	770,362
Other liabilities	1,414,771	1,071,193
Total liabilities	2,833,298	2,395,228
Net assets		
Unrestricted	1,139,429	1,263,949
Temporarily restricted	293,139	305,004
Permanently restricted	133,620	138,953
Total net assets	1,566,188	1,707,906
Total liabilities and net assets	$ 4,399,486	$ 4,103,134

Included in Total current assets above, UPHS has certain properties, both land and buildings that are not intended for use, recorded as Assets held for sale at their allocated cost of $1,949,000 at June 30, 2012 and 2011, respectively.

3. Accounts Receivable

The major components of receivables, net of reserve for doubtful accounts of $12,682,000 and $13,571,000 at June 30, 2012 and 2011, respectively, are as follows (in thousands):

	2012	2011
Sponsored research	$ 93,087	$ 104,733
Malpractice insurance recoveries	85,198	76,877
Student	11,511	12,887
Trade	53,120	30,508
Investment income	6,640	5,617
Other	26,220	23,313
Total Accounts receivable	$ 275,776	$ 253,935

4. Contributions Receivable

A summary of contributions receivable is as follows at June 30, 2012 and 2011 (in thousands):

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 155,400	$ 161,689
One year to five years	167,762	157,450
Over five years	21,877	18,933
	345,039	338,072
Less: Discount	(31,133)	(47,068)
Less: Allowance for doubtful amounts	(35,188)	(41,521)
Total Contributions receivable, net	$ 278,718	$ 249,483

At June 30, 2012 and 2011, the University has outstanding unrecorded conditional promises to give of $179,133,000 and $144,120,000, respectively. When they become unconditional promises to give or are received in cash or kind, they will be recorded and generally will be restricted for operations, endowment and capital projects as stipulated by the donors.

5. Other Assets

The major components of other assets at June 30, 2012 and 2011, respectively, are as follows (in thousands):

	2012	2011
Goodwill	$ 24,888	$ 24,888
Inventory	26,036	26,683
Prepaid expenses	37,194	25,567
Deferred financing fees	13,820	10,971
FICA refund	82,905	85,345
Other	25,560	20,714
Total Other assets	$ 210,403	$ 194,168

Goodwill of $24,888,000 at June 30, 2012 and 2011, respectively, associated with the statutory merger of the Presbyterian Medical Center of Philadelphia into UPHS, is reviewed for impairment on an annual basis by comparing the reporting unit's carrying value to its fair value calculated using a discounted cash flow approach, which incorporates market participant data, or sooner if indicators of impairment arise. There were no goodwill impairments during Fiscal Year 2012.

In March 2010, the Internal Revenue Service (IRS) announced that for periods ending before April 1, 2005, medical and dental residents are excepted from the Federal Insurance Contributions Act (FICA) taxes based on the student exception under the IRS Code section 3121(b)(10). As such, the IRS will issue a refund to the University for the employer and employee FICA taxes previously paid. As a result, Other assets includes the estimated tax refund and related interest of $82,905,000 and $85,345,000, at June 30, 2012 and 2011, respectively. Accrued expenses and other liabilities includes the estimated amounts that the University will pay to the residents of $47,094,000 and $45,594,000 at June 30, 2012 and 2011, respectively.

6. Investments Including Endowments

A summary of endowment investments including the AIF, measured at fair value in accordance with the *Fair Value Measurements* standard on a recurring basis, as of June 30, 2012 and 2011 is as follows (in thousands):

Assets	Level 1	Level 2	Level 3	2012
Short-term investments	$ 601,663			$ 601,663
Equity investments:				
US equities	1,525,963	$ 168,300	$ 1,578	1,695,841
International equities	335,377	484,054	111,911	931,342
Emerging market equities	50,788	241,784	94,068	386,640
Debt investments:				
US treasuries	1,329,193			1,329,193
Corporate bonds		31,203	600	31,803
High yield		28,880	3,323	32,203
Split-interest agreements	59,143		413,997	473,140
Absolute return		624,471	910,637	1,535,108
Real estate		59	362,872	362,931
Private equity			607,969	607,969
Natural resources	47,655		199,537	247,192
Derivative instruments:				
Forward currency contracts		1,395		1,395
Other			1,135	1,135
Total	$ 3,949,782	$ 1,580,146	$ 2,707,627	$ 8,237,555

Liabilities	Level 1	Level 2	Level 3	2012
Derivative instruments:				
Forward currency contracts		$ 597		$ 597
Futures contracts	$ 48			48
Total	$ 48	$ 597	$ -	$ 645

Assets	Level 1	Level 2	Level 3	2011
Short-term investments	$ 496,232			$ 496,232
Equity investments:				
US equities	1,191,350	$ 149,900	$ 1,578	1,342,828
International equities	431,511	626,044	52,431	1,109,986
Emerging market equities	79,506	282,104	65,272	426,882
Debt investments:				
US treasuries	1,193,966			1,193,966
Corporate bonds	6,285	37,984	601	44,870
High yield		28,702	5,899	34,601
Split-interest agreements	64,693		402,758	467,451
Absolute return		613,353	1,014,870	1,628,223
Real estate		2,759	294,012	296,771
Private equity			542,827	542,827
Natural resources			186,336	186,336
Derivative instruments:				
Forward currency contracts		1,667		1,667
Other			1,238	1,238
Total	$ 3,463,543	$ 1,742,513	$ 2,567,822	$ 7,773,878

Liabilities	Level 1	Level 2	Level 3	2011
Derivative instruments:				
Forward currency contracts		$ 44		$ 44
Futures contracts	$ 50			50
Total	$ 50	$ 44	$ -	$ 94

Included in Short-term investments is $101,770,000 and $30,059,000 of amounts held by trustees under indenture and escrow agreements at June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, Short-term investments include $84,885,000 and $48,896,000, respectively, of outstanding receivables from trading activities. At June 30, 2012 and 2011, Short-term investments include $72,473,000 and $50,081,000, respectively, of outstanding payables from trading activities.

Changes in the fair value of the University's Level 3 investments as of June 30, 2012 and 2011 are as follows (in thousands):

	June 30, 2011	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2012
Equity investments:								
US equities	$ 1,578							$ 1,578
International equities	52,431		$ 4,268			$ 107,644	$ (52,432)	111,911
Emerging market equities	65,272		7,007	$ 39,000			(17,211)	94,068
Debt investments:								
Corporate bonds	601				$ (1)			600
High yield	5,899		352		(2,928)			3,323
Split-interest agreements	402,758	$ (4,203)	14,381	1,392	(331)			413,997
Absolute return	1,014,870	2,922	43,850	47,651	(75,775)	3,372	(126,253)	910,637
Real estate	294,012	18,212	311	82,183	(31,846)			362,872
Private equity	542,827	41,319	(17,560)	113,178	(71,795)			607,969
Natural resources	186,336	16,607	(5,426)	34,470	(32,450)			199,537
Other	1,238		(103)					1,135
Total	$ 2,567,822	$ 74,857	$ 47,080	$ 317,874	$ (215,126)	$ 111,016	$ (195,896)	$ 2,707,627

	June 30, 2010	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2011
Equity investments:								
US equities	$ 1,488		$ 120		$ (30)			$ 1,578
International equities	96,699	$ (47)	20,998				$ (65,219)	52,431
Emerging market equities	34,407		9,363	$ 40,000			(18,498)	65,272
Debt investments:								
Corporate bonds	603				(2)			601
High yield	7,427	(52)	2,610		(4,086)			5,899
Split-interest agreements	206,784	(455)	32,886	171,735	(8,192)			402,758
Absolute return	902,467	16,712	93,396	118,121	(44,478)	$ 16,635	(87,983)	1,014,870
Real estate	239,855	12,037	8,930	60,954	(27,764)			294,012
Private equity	415,293	13,927	78,487	115,237	(81,487)	1,370		542,827
Natural resources	137,120	21,569	27,676	37,134	(37,163)			186,336
Other	1,253		(1)		(14)			1,238
Total	$ 2,043,396	$ 63,691	$ 274,465	$ 543,181	$ (203,216)	$ 18,005	$ (171,700)	$ 2,567,822

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2012 and 2011 there were no transfers between Level 1 and 2. Transfers between Level 3 and Level 2 as of June 30, 2012 and 2011 were due to redemption period changes at the underlying commingled funds or partnerships as well as side pocket activity in the Absolute Return portfolio.

Included in Level 1 Split-interest agreement investments above are readily marketable assets invested by the University separately from the AIF where the University serves as trustee with an aggregate fair value of $59,144,000 and $64,693,000 at June 30, 2012 and 2011, respectively. Level 3 Split-interest agreement investments are managed and invested outside of the University by external trustees.

Invested in the AIF with an aggregate fair value of $118,343,000 and $121,718,000 at June 30, 2012 and 2011, respectively, is a perpetual trust managed by an external trustee who has delegated investment decisions to the University. The University invests the assets of this trust in accordance with its Endowment Policy.

Included in Split-interest agreements are amounts held to meet legally mandated annuity reserves of $29,423,000 and $30,464,000 as of June 30, 2012 and 2011, respectively, as required by the laws of the following states where certain individual donors reside: California, New Jersey and New York.

A summary of Level 3 assets included in Split-interest agreements, where the University is not trustee, measured at fair value on a recurring basis, as of June 30, 2012 and 2011 is as follows (in thousands):

	2012	2011
Charitable remainder trusts	$ 5,675	$ 6,006
Charitable lead trusts	186,157	163,765
Perpetual trusts	222,165	232,987
Total	$ 413,997	$ 402,758

Changes to the reported amounts of Split-interest agreements measured at fair value on a recurring basis using unobservable (Level 3) inputs as of June 30, 2012 and 2011 are as follows (in thousands):

	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2011	$ 6,006	$ 163,765	$ 232,987	$ 402,758
Net realized (losses)/gains	(1)	210	(4,412)	(4,203)
Net unrealized (losses)/gains	(9)	22,182	(7,792)	14,381
Purchases			1,392	1,392
Sales	(321)		(10)	(331)
June 30, 2012	$ 5,675	$ 186,157	$ 222,165	$ 413,997

	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2010	$ 3,737	$ 4,166	$ 198,881	$ 206,784
Net realized (losses)/gains	(685)	(1,111)	1,341	(455)
Net unrealized gains	1,458	646	30,782	32,886
Purchases	1,852	160,064	9,819	171,735
Sales	(356)		(7,836)	(8,192)
June 30, 2011	$ 6,006	$ 163,765	$ 232,987	$ 402,758

The following tables set forth the fair value of the University's derivative instruments by contract type as of June 30, 2012 and 2011 and the University's losses related to derivative activities for the year ended June 30, 2012 and 2011 (in thousands):

	Consolidated Statements of Position Line Item	2012	2011
Assets			
Forward currency contracts	Investments, at fair value	$ 1,395	$ 1,667
Total		$ 1,395	$ 1,667
Liabilities			
Forward currency contracts	Accrued expenses and other liabilities	$ 597	$ 44
Futures contracts	Accrued expenses and other liabilities	48	50
Total		$ 645	$ 94

Derivative gains (losses)

	Consolidated Statements of Activities Line Item	2012	2011
Forward currency contracts	(Loss) gain on investments, net	$ 2,232	$ (13,359)
Futures contracts	(Loss) gain on investments, net	(554)	(50)
Total		$ 1,678	$ (13,409)

As of June 30, 2012, the University had twelve outstanding forward currency contracts with a notional exposure of $172,259,000. As of June 30, 2011, the University had eight outstanding forward currency contracts with a notional exposure of $169,283,000. The University had ten futures contracts outstanding as of June 30, 2012 with a notional exposure of ($18,009,000) and had eleven futures contracts outstanding as of June 30, 2011 with a notional exposure of ($19,211,000). The number of futures and forward currency contracts outstanding is generally indicative of the volume of activity during the year ending June 30, 2012 and 2011, respectively.

The University has made commitments to various limited partnerships. The University expects these funds to be called over the next 3 to 5 years. The total amount of unfunded commitments is $736,651,000 which represents 10.9% of the AIF value as of June 30, 2012. Details on the extent of these commitments are as follows (in thousands):

	Unfunded Commitments
Private equity	$ 325,721
Real estate	245,936
Absolute return	89,899
Natural resources	69,095
Equity	6,000
Total Unfunded commitments	$ 736,651

A summary of the University's total investment return for the years ended June 30, 2012 and 2011 as reported in the Consolidated Statements of Activities is presented below (in thousands):

	2012	2011
AIF investment income	$ 85,421	$ 78,820
AIF realized and unrealized gains/(losses)	43,188	970,419
Return on AIF	128,609	1,049,239
Other investment income and gains/(losses)	(29,796)	65,416
Total Return on investments	$ 98,813	$ 1,114,655

Included in investments above are the University's endowments, the components of which at June 30, 2012 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,485,239	$ 2,732,557	$ 4,217,796
Quasi-endowment funds	$ 2,536,862			2,536,862
June 30, 2012	$ 2,536,862	$ 1,485,239	$ 2,732,557	$ 6,754,658

Changes to the reported amount of the University's endowments as of June 30, 2012 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2011	$ 2,367,738	$ 1,627,050	$ 2,587,242	$ 6,582,030
Investment return:				
Investment income, net of expenses	20,541	27,849	503	48,893
Gain (realized and unrealized)	16,982	19,831	(8,180)	28,633
Total investment return	37,523	47,680	(7,677)	77,526
New gifts	22,183	4,350	147,378	173,911
Allocation of endowment assets for expenditure	(245,210)			(245,210)
Transfers	166,930	(6,143)	5,614	166,401
Released from restriction	187,698	(187,698)		
Net assets, June 30, 2012	$ 2,536,862	$ 1,485,239	$ 2,732,557	$ 6,754,658

Included in investments above are the University's endowments, the components of which at June 30, 2011 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,627,050	$ 2,587,242	$ 4,214,292
Quasi-endowment funds	$ 2,367,738			2,367,738
June 30, 2011	$ 2,367,738	$ 1,627,050	$ 2,587,242	$ 6,582,030

Changes to the reported amount of the University's endowments as of June 30, 2011 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2010	$ 2,039,992	$ 1,205,259	$ 2,423,686	$ 5,668,937
Investment return:				
Investment income, net of expenses	22,012	31,989	507	54,508
Gain (realized and unrealized)	354,062	566,175	26,196	946,433
Total investment return	376,074	598,164	26,703	1,000,941
New gifts	25,513	9,537	130,534	165,584
Allocation of endowment assets for expenditure	(220,981)			(220,981)
Transfers	(32,492)	(6,278)	6,319	(32,451)
Released from restriction	179,632	(179,632)		
Net assets, June 30, 2011	$ 2,367,738	$ 1,627,050	$ 2,587,242	$ 6,582,030

The fair value of certain permanently restricted endowment funds is less than the original donated value by $20,562,000 and $6,802,000 as of June 30, 2012 and 2011, respectively, and is reflected as a reduction of Temporarily restricted assets.

7. Plant, net of depreciation

The components of plant at June 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Land	$ 151,731	$ 151,736
Buildings and fixed equipment	5,342,971	5,087,088
Contents	1,599,958	1,497,231
Construction-in-progress	217,305	256,915
	7,311,965	6,992,970
Less: Accumulated depreciation	(3,186,222)	(2,933,818)
Plant, net of depreciation	$ 4,125,743	$ 4,059,152

Plant, net of depreciation, includes $3,209,000 of land at June 30, 2012 and 2011, as well as, $8,496,000 and $8,845,000 of completed facilities at June 30, 2012 and 2011, respectively, which serve as collateral for debt obligations.

The University recorded $299,783,000 and $288,664,000 of depreciation expense for the years ended June 30, 2012 and 2011, respectively. Rare books and other collectibles aggregate $39,736,000 at June 30, 2012 and $38,677,000 at June 30, 2011.

The University capitalized $3,030,000 and $6,201,000 of interest costs for the years ended June 30, 2012 and 2011, respectively, in accordance with the FASB standard on *Capitalization of Interest*.

8. Conditional Asset Retirement Obligations

The University's conditional asset retirement obligations primarily relate to asbestos contained in buildings and underground steam distribution piping. Conditional asset retirement obligations, included within Accrued expenses and other liabilities in the Consolidated Statements of Financial Position are as follows (in thousands):

	2012	2011
July 1	$ 20,040	$ 18,996
Less: Payments	(1,015)	(1,551)
Add: Additions	479	1,798
Add: Accretion	730	797
June 30	$ 20,234	$ 20,040

9. Split-Interest Agreements

Changes in the value of assets, liabilities and net assets pursuant to split-interest agreements as of June 30, 2012 and 2011 are as follows (in thousands):

2012	Assets	Liabilities	Net Assets
June 30, 2011	$ 467,451	$ (38,165)	$ 429,286
New contributions	5,944	(2,507)	3,437
Investment income	933	(748)	185
Realized and unrealized gain, net	9,688		9,688
Payments and settlements	(10,876)	8,417	(2,459)
Actuarial adjustment		(3,161)	(3,161)
Net change	5,689	2,001	7,690
June 30, 2012	$ 473,140	$ (36,164)	$ 436,976

2011	Assets	Liabilities	Net Assets
June 30, 2010	$ 277,197	$ (38,099)	$ 239,098
New contributions	185,481	(2,137)	183,344
Investment income	1,269	(581)	688
Realized and unrealized gain, net	43,094		43,094
Payments and settlements	(39,590)	6,436	(33,154)
Actuarial adjustment		(3,784)	(3,784)
Net change	190,254	(66)	190,188
June 30, 2011	$ 467,451	$ (38,165)	$ 429,286

10. Medical Professional Liability Claims

The University is insured for medical professional liability claims through the combination of the Medical Care Availability and Reduction of Error Fund (Mcare, formerly, the Medical Professional Liability Catastrophe Loss Fund of the Commonwealth of Pennsylvania -- CAT Fund), various commercial insurance companies and a risk retention program.

Mcare levies health care provider surcharges, as a percentage of the Pennsylvania Joint Underwriters Association rates for basic coverage, to pay claims and pay administrative expenses of Mcare participants. These surcharges are recognized as expenses in the period incurred. Mcare operates on a pay-as-you-go basis and no provision has been made for any future Mcare assessments in the accompanying financial statements as the University's portion of the unfunded Mcare liability cannot be estimated.

In August 2010, FASB issued a standard on *Presentation of Insurance Claims and Related Insurance Recoveries*. The University has adopted this standard and applied it retrospectively. In accordance with this standard, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities will be presented separately on the Consolidated Statements of Financial Position in Accounts receivables, net of allowances and Accrued expenses and other liabilities, respectively. The University accrues for estimated retained risks arising from both asserted and unasserted medical professional liability claims. The estimate of the gross liability and corresponding receivable for unasserted claims arising from unreported incidents is based on analysis of historical claims data by an independent actuary, which is recorded utilizing 2.5% and 3.0% as a discount rate as of June 30, 2012 and 2011, respectively. The gross liability recorded under this program is $567,331,000 and $516,543,000 at June 30, 2012 and 2011, respectively, with a corresponding receivable of $85,198,000 and $76,877,000 at June 30, 2012 and 2011, respectively.

11. Contingencies, Guarantees and Commitments

The University has guaranteed certain obligations as follows (in thousands):

	2012		2011	
	Amount Guaranteed	Recognized Liability	Amount Guaranteed	Recognized Liability
Mortgage Loans	$ 3,004		$ 4,496	
Student Loans	57,505	$ 6,406	50,393	$ 6,350
Other	5,055	95	5,710	147
	$ 65,564	$ 6,501	$ 60,599	$ 6,497

To encourage home ownership and home improvement in the University's geographic area and beyond, certain University and affiliate employee mortgage loans are guaranteed. Under this program, the University guarantees the employee's first mortgage amount that is in excess of 80% loan-to-value, up to 105% loan-to-value. The maximum amount that will be guaranteed on any single loan is limited to $250,000. For all loans guaranteed upon default by the borrower, the University may be required to pay any loss incurred following the lender's foreclosure process or the University may be required to purchase the loan. If the University purchases the loan, it will work with the borrower to make the loan current or it may foreclose and recover a portion of any loan from the sale of the mortgaged property. Of the amount guaranteed, $856,000 and $725,000 at June 30, 2012 and 2011, respectively, was estimated to be recoverable from subsequent sale of underlying assets the University would acquire if it performed under the guarantees. The University does not anticipate that any significant net payments will result from these guarantees. FASB standard *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* does not require a guarantee liability to be recognized for employee mortgages.

The University offers various loan programs for students and families to pay tuition, fees and other costs. Certain loans issued by private lending institutions are guaranteed by the University. Upon default by the borrower, the University is required to pay all or a portion of the outstanding loan balance. The University recognizes a liability for the greater of the fair value of the guarantee or defaults in the portfolio of guaranteed loans per FASB's standard on *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The amount of the liability recognized for which the fair value of the guarantee exceeds defaults in the portfolio of guaranteed loans is $2,209,000 and $1,553,000 at June 30, 2012 and 2011, respectively. The remaining balance of the liability recognized represents defaults in the portfolio which exceed the estimated fair value of the guarantee. These recognized liabilities reflect effective default rates of 25.9% and 23.0% at June 30, 2012 and 2011, respectively.

The Other category principally includes guarantees of indebtedness for certain businesses in the University's geographic area whose activities benefit employees, students and the community. Of the amount guaranteed, $3,158,000 at June 30, 2012 and $3,687,000 at June 30, 2011, was estimated to be recoverable from subsequent sale of underlying assets the University would acquire if it performed under the guarantees and from other partners in the businesses. The University does not anticipate that any significant net payments will result from these guarantees. The recognized liability reflects the fair value of guarantees issued after December 31, 2002.

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the University's education and health care activities. Based upon information currently available, management believes that any liability resulting there from will not materially affect the financial position or operations of the University.

The University is currently involved in various projects that have resulted in capital and property acquisition commitments from the University. As of June 30, 2012, approximately $198,876,000 has been committed by the University.

12. Pension and Other Postretirement Benefit Costs

Retirement benefits are principally provided to Academic Component and UPHS employees through contributory defined contribution plans. The Academic Component's policy with respect to its contribution is to provide up to 9% of eligible employees' salaries, while the UPHS contribution can be up to 6.5%. The University's contributions to these plans amounted to $103,947,000 and $90,365,000 as of June 30, 2012 and 2011, respectively.

During Fiscal Year 2011, a new contributory defined contribution plan was created for most UPHS employees. A non-contributory defined contribution plan and non-contributory defined benefit plan were frozen to new entrants effective July 1, 2010. Effective January 1, 2011, UPHS employees enrolled in the non-contributory defined contribution plan were transitioned into the new plan and eligible participants in the UPHS non-contributory defined benefit plan were given a one-time opportunity to move into the new plan. This resulted in a one-time plan curtailment of $7,538,000 in the benefit obligation in Fiscal Year 2011.

Clinical Care Associates also has a non-qualified supplemental retirement plan to provide retirement benefits to a select group of physician employees. Contributions to this plan are based upon the annual compensation of the eligible employees. Retirement plan expense for this plan was $565,000 and $610,000 as of June 30, 2012 and 2011, respectively.

The Academic Component has a non-contributory defined benefit pension plan which was frozen to new full-time entrants effective July 1, 2000.

Benefits under the defined benefit plans generally are based on the employee's years of service and compensation during the years preceding retirement. Contributions to the defined benefit plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Service Code and related regulations.

The funded status of the plans is measured as the difference between the plan assets at fair value and the projected benefit obligation (PBO) or accumulated postretirement benefit obligation (APBO). The difference between actual amounts and estimates based on actuarial assumptions are recognized as Pension and other postretirement plan adjustments in the Consolidated Statements of Activities in the period in which they occur.

Net Periodic Cost

The components of net periodic benefit cost for pension benefits and other postretirement benefits are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
Net Periodic Cost	**2012**	**2011**	**2012**	**2011**
Service cost	$ 48,232	$ 46,302	$ 20,674	$ 20,506
Interest cost	72,581	67,391	31,113	30,614
Expected return on plan assets	(85,051)	(73,391)	(19,539)	(15,816)
Amortization of:				
Net prior service cost	1,406	1,520	343	332
Net losses	20,257	23,808	6,174	8,986
Curtailment loss recognized		593		
Net periodic benefit cost	$ 57,425	$ 66,223	$ 38,765	$ 44,622

Obligation and Funded Status

The following shows changes in the benefit obligation, plan assets and funded status. Benefit obligation balances presented below reflect the projected benefit obligation for pension plans and accumulated postretirement benefit obligation for other postretirement benefits plans (in thousands):

	Pension Benefits		Other Postretirement Benefits	
Change in Benefit Obligation	**2012**	**2011**	**2012**	**2011**
Benefit obligation at beginning of year	$ 1,339,128	$ 1,211,807	$ 583,996	$ 567,834
Service cost	48,232	46,302	20,674	20,506
Interest cost	72,581	67,391	31,113	30,614
Plan participants' contributions	143	139	4,401	4,252
Plan curtailments		(7,538)		
Retiree drug subsidy			303	1,285
Net actuarial loss (gain) due to plan experience	245,141	50,573	107,132	(14,421)
Benefits paid from fund	(32,397)	(29,546)	(15,754)	(17,878)
Benefits paid outside of fund			(8,147)	(8,196)
Benefit obligation at end of year	$ 1,672,828	$ 1,339,128	$ 723,718	$ 583,996
Accumulated benefit obligation	$ 1,452,997	$ 1,157,940	$ 723,718	$ 583,996
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 1,012,721	$ 818,944	$ 229,519	$ 184,079
University contributions	58,490	68,224	22,810	23,426
Benefits paid by the University			7,530	7,885
Plan participants' contributions	143	139	4,401	4,252
Benefits paid from fund	(32,397)	(29,546)	(15,754)	(17,878)
Benefits paid outside of fund			(8,147)	(8,196)
Retiree drug subsidy			303	1,285
Actual return on assets	1,982	154,960	8,121	34,666
Fair value of plan assets at end of year	$ 1,040,939	$ 1,012,721	$ 248,783	$ 229,519

Funded Status	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Projected benefit obligation / accumulated postretirement benefit obligation	$ (1,672,828)	$ (1,339,128)	$ (723,718)	$ (583,996)
Plan assets at fair value	1,040,939	1,012,721	248,783	229,519
ERRP adjustment				422
Funded status at end of year	$ (631,889)	$ (326,407)	$ (474,935)	$ (354,055)

Net Amounts Recognized in the Consolidated Statements of Financial Position

Unrestricted Net Assets	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Net actuarial loss	$ 639,966	$ 332,015	$ 260,067	$ 147,280
Net prior service cost	1,536	2,941	689	1,031
Total	$ 641,502	$ 334,956	$ 260,756	$ 148,311
Adjustment to unrestricted net assets	$ 306,546	$ (64,456)	$ 112,445	$ (43,012)

The estimated amount that will be amortized from Unrestricted Net Assets into net periodic benefit cost in 2013 is as follows:

	Pension Benefits	Other Postretirement Benefits
Amortization of prior service cost	$ 1,326	$ 269
Amortization of net losses	48,440	12,623

Aggregate underfunded plans (Accrued retirement benefits) are reported as follows:

	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Accrued retirement benefits	$ (631,889)	$ (326,407)	$ (474,935)	$ (354,055)
Funded status at end of year	$ (631,889)	$ (326,407)	$ (474,935)	$ (354,055)

Reported Accrued retirement benefits includes $7,332,000 and $9,702,000 for faculty early retirement programs at June 30, 2012 and 2011, respectively.

Information for Plans with PBO/APBO in Excess of Plan Assets	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Projected benefit obligation / accumulated postretirement benefit obligation	$ 1,672,828	$ 1,339,128	$ 723,718	$ 583,996
Accumulated benefit obligation / accumulated postretirement benefit obligation	1,452,997	1,157,940	723,718	583,996
Fair value of plan assets	1,040,939	1,012,721	248,783	229,519

Information for Pension Plans with ABO in Excess of Plan Assets	Pension Benefits 2012	Pension Benefits 2011
Projected benefit obligation / accumulated postretirement benefit obligation	$ 1,672,828	$ 1,153,483
Accumulated benefit obligation / accumulated postretirement benefit obligation	1,452,997	979,255
Fair value of plan assets	1,040,939	832,444

Actuarial Assumptions

The expected long-term rate of return on plan assets is management's best estimate of the average investment return expected to be received on the assets invested in the plan over the benefit period. The expected long-term rate of return on plan assets has been established by considering historical and future expected returns of the asset classes invested in by the pension trust, and the allocation strategy currently in place among those classes.

	Pension Benefits		Other Postretirement Benefits	
Weighted-Average Assumptions Used to Determine Benefit Obligations at Year End	**2012**	**2011**	**2012**	**2011**
Discount rate	4.48%	5.50%	4.25%	5.39%
Salary increase	4.000%	4.000%	N/A	N/A
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost				
Discount rate	5.50%	5.50%	5.42%	5.50%
Expected long-term return on plan assets	8.375%	8.375%	8.375%	8.375%
Salary increase	4.000%	4.000%	N/A	N/A
Assumed Health Care Cost Trend Rates				
Initial trend rate	N/A	N/A	7.00%	7.50%
Ultimate trend rate	N/A	N/A	4.84%	4.86%
Fiscal year end that ultimate trend rate is reached	N/A	N/A	2021	2021

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefits. A one-percentage-point change in assumed health care trend rates would have the following effects on other postretirement benefits (in thousands):

	1-Percentage Point Increase		1-Percentage Point Decrease	
	2012	**2011**	**2012**	**2011**
Effect on total of service and interest cost	12,590	9,428	(9,633)	(7,403)
Effect on accumulated postretirement benefit obligation	125,968	91,931	(99,876)	(74,098)

Plan Assets

The principal investment objectives for the pension and other postretirement benefits plans are: to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios; to maximize long-term investment returns with an acceptable level of risk based on the pension obligations; and to invest the pension trust in a diversified manner across equity and debt investments. The equity investments are diversified, and comprised predominantly of developed market liquid assets, across a range of investment styles.

Short-Term Investments

Short-term investments in the plan assets include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

Equity Investments

Equity investments in the plan assets consist of separate accounts, mutual funds, exchange traded funds, commingled funds and limited partnerships. Securities held in separate accounts, mutual funds and exchange traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied. Commingled funds are valued at NAV and are categorized as Level 2. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date, June 30, at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Debt Investments

Debt investments consist of a separate account which holds US Treasuries. US Treasuries are valued based on quoted market prices in active markets and are categorized as Level 1.

Absolute Return Portfolio

The absolute return portfolio in the plan assets is made up of investments of limited partnership interests in hedge funds. The fund managers invest in a variety of securities based on the strategy of the fund which may or may not be quoted in an active market. Illiquid investments, if any, are generally designated as a side pocket by hedge fund managers and may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. Limited partnership interests are valued at NAV. A limited partnership interest may be categorized as Level 2 or Level 3 based on the University's ability to redeem up to 180 days beyond the measurement date as previously described. Side pocket investments would be classified as Level 3. As of June 30, 2012, the University has an unfunded commitment of $5,200,000 to one limited partnership which is expected to be called over the next 1 to 2 years.

Derivatives

The University enters into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date as a hedge or cross hedge against either specific non-US dollar denominated transactions or portfolio positions. The University purchases or sells futures contracts to manage changes in interest rates, securities prices, currency exchange rates, or to seek to increase total return. Forward foreign currency contracts are categorized as Level 2. Futures contracts are categorized as Level 1.

As of June 30, 2012, the University had twenty-two forward currency contracts in the plan assets with a notional exposure of $20,255,000. As of June 30, 2011, the University had fourteen forward currency contracts in the plan assets with a notional exposure of $19,663,000. The University also had two futures contracts outstanding as of June 30, 2012 with a notional exposure of ($3,602,000) and three futures contracts outstanding as of June 30, 2011 with a notional exposure of ($1,095,000). The number of futures and forward currency contracts outstanding is generally indicative of the volume of trading activity during the year ending June 30, 2012 and 2011, respectively.

Investment Risk

The University's investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the University's investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities. The University has various limited partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on current redemption and restriction terms by asset class and type of investment for the pension and other postretirement benefits plans have been combined are provided below:

	Redemption Terms	**Redemption Restrictions**
Short-term	Daily	None
Equity investments		
Separate accounts	Daily	None
Mutual funds	Daily	None
Exchange traded funds	Daily	None
Commingled funds	Daily to monthly with notice periods of 1 to 6 days	None
Partnerships	Quarterly with a notice period of 30 to 60 days	None
Debt investments		
Separate account	Daily	None
Absolute return	Quarterly, annually and 2 year partial rolling with varying notice periods, except one limited partnership with no redemptions permitted. Distributions received as underlying investments are liquidated.	Lock-up provisions ranging from 0 to 2 years partial rolling with earlier redemptions permitted subject to redemption fee, except $10 million in one limited partnership with no redemptions permitted and $11 million of illiquid side pocket investments.

A summary of plan assets, measured at fair value in accordance with the *Employers' Disclosures about Pensions and Other Postretirement Benefits* standard, on a recurring basis, as of June 30, 2012 and 2011 is as follows (in thousands):

Pension Benefits:

Assets	**Level 1**	**Level 2**	**Level 3**	**2012**
Short-term investments	$ 62,590			$ 62,590
Equity investments:				
US equities	392,020			392,020
International equities	45,896	$ 134,011		179,907
Emerging market equities	13,211	24,552		37,763
Debt investments:				
US treasuries	174,956			174,956
Corporate bonds		7,951		7,951
Absolute return		117,885	$ 67,927	185,812
Derivative instruments:				
Forward currency contracts		105		105
Total	$ 688,673	$ 284,504	$ 67,927	$ 1,041,104

Liabilities	**Level 1**	**Level 2**	**Level 3**	**2012**
Derivative instruments:				
Forward currency contracts		$ 155		$ 155
Futures contracts	$ 10			10
Total	$ 10	$ 155	$ -	$ 165

Assets	**Level 1**	**Level 2**	**Level 3**	**2011**
Short-term investments	$ 60,364			$ 60,364
Equity investments:				
US equities	336,652			336,652
International equities	69,525	$ 134,789		204,314
Emerging market equities	11,781	29,810		41,591
Debt investments:				
US treasuries	184,675			184,675
Corporate bonds		9,790		9,790
Absolute return		119,557	$ 55,677	175,234
Derivative instruments:				
Forward currency contracts		127		127
Total	$ 662,997	$ 294,073	$ 55,677	$ 1,012,747

Liabilities	**Level 1**	**Level 2**	**Level 3**	**2011**
Derivative instruments:				
Forward currency contracts		$ 12		$ 12
Futures contracts	$ 14			14
Total	$ 14	$ 12	$ -	$ 26

Other Postretirement Benefits:

Assets	Level 1	Level 2	Level 3	2012
Short-term investments	$ 22,491			$ 22,491
Equity investments:				
US equities	109,276			109,276
International equities	14,252	$ 37,560		51,812
Emerging market equities	3,720	5,269		8,989
Debt investments:				
US treasuries	53,605			53,605
Corporate bonds		2,628		2,628
Derivative instruments:				
Forward currency contracts		34		34
Total	$ 203,344	$ 45,491	$ -	$ 248,835

Liabilities	Level 1	Level 2	Level 3	2012
Derivative instruments:				
Forward currency contracts		$ 52		$ 52
Total	$ -	$ 52	$ -	$ 52

Assets	Level 1	Level 2	Level 3	2011
Short-term investments	$ 16,545			$ 16,545
Equity investments:				
US equities	94,424			94,424
International equities	14,343	$ 39,055		53,398
Emerging market equities	2,332	6,563		8,895
Debt investments:				
US treasuries	53,174			53,174
Corporate bonds		3,045		3,045
Derivative instruments:				
Forward currency contracts		42		42
Total	$ 180,818	$ 48,705	$ -	$ 229,523

Liabilities	Level 1	Level 2	Level 3	2011
Derivative instruments:				
Forward currency contracts		$ 4		$ 4
Total	$ -	$ 4	$ -	$ 4

Changes to the reported amounts of plan assets measured at fair value on a recurring basis using unobservable (Level 3) inputs as of June 30, 2012 and 2011 are as follows (in thousands):

Pension Benefits:

	June 30, 2011	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2012
Absolute return	$ 55,677	$ 1,428	$ 5,288	$ (3,772)	$ 10,276	$ (970)	$ 67,927
Total	$ 55,677	$ 1,428	$ 5,288	$ (3,772)	$ 10,276	$ (970)	$ 67,927

	June 30, 2010	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2011
Equity investments:							
International equities	$ 5,021	$ 1,682				$ (6,703)	$ -
Absolute return	51,863	714	$ 19,500			(16,400)	55,677
Total	$ 56,884	$ 2,396	$ 19,500	$ -	$ -	$ (23,103)	$ 55,677

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2012 and 2011 there were no transfers between Level 1 and 2. Transfers between Level 3 and Level 2 as of June 30, 2012 and 2011 were due to redemption period changes at the underlying commingled funds or partnerships as well as side pocket activity in the Absolute Return portfolio.

	Pension Benefits			Other Postretirement Benefits		
Allocation of Plan Assets	**Target**	**2012**	**2011**	**Target**	**2012**	**2011**
Short-term investments		6.0%	6.0%		9.0%	7.2%
Equity investments:						
US equities	35.7%	37.7%	33.2%	45.0%	43.9%	41.1%
International equities	19.4%	17.3%	20.2%	27.0%	20.8%	23.3%
Emerging markets equities	3.0%	3.6%	4.1%	3.0%	3.6%	3.9%
Debt investments:						
US treasuries	21.9%	16.8%	18.2%	25.0%	21.6%	23.2%
Corporate bonds		0.8%	1.0%		1.1%	1.3%
High yield						
Absolute return	20.0%	17.8%	17.3%			
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The average quality of debt investments at June 30, 2012 was AAA with an effective duration of 1.91 years.

Cash Flows & Estimated Future Benefit Payments

University contributions for the year ending:	Pension Benefits	Other Postretirement Benefits
June 30, 2011	$ 68,224	$ 23,426
June 30, 2012	58,490	22,810
June 30, 2013	95,466	22,800
Benefits paid directly by the University for the year ending:		
June 30, 2011	N/A	$ 7,885
June 30, 2012	N/A	7,530
June 30, 2013	N/A	9,392
Plan participants' contributions for the year ending:		
June 30, 2011	$ 139	$ 4,252
June 30, 2012	143	4,401
June 30, 2013	146	4,590

Benefits Payments in Total

Actual benefit payments for the year ending:	Pension Benefits	Other Postretirement Benefits before Medicare Part D Subsidy	Impact of Medicare Part D Subsidy
June 30, 2011	$ 29,546	$ 25,763	$ 1,285
June 30, 2012	32,397	23,284	303
Expected benefit payments for the year ending:			
June 30, 2013	$ 42,956	$ 25,538	$ 397
June 30, 2014	47,121	26,795	429
June 30, 2015	51,207	27,984	450
June 30, 2016	55,774	29,372	471
June 30, 2017	60,502	30,907	489
June 30, 2018 to June 30, 2022	395,864	175,411	2,675

13. Debt Obligations

Debt obligations at June 30, 2012 and 2011 are as follows (in thousands):

	Final Maturity	Interest Rate at June 30, 2012	2012	2011
Academic Component:				
Fixed rate debt obligations:				
The Trustees of the University of Pennsylvania				
Series of 2012 Taxable Bonds	09/2112	4.674%	$ 300,000	
Pennsylvania Higher Educational				
Facilities Authority (PHEFA)				
Series A of 2011 revenue bonds	09/2041	4.00% - 5.00%	150,000	$ 150,000
Unamortized premium			940	984
Series of 2010 revenue bonds	09/2033	4.00% - 5.00%	71,410	71,410
Unamortized premium			5,244	5,537
Series B of 2009 revenue bonds	09/2032	3.00% - 5.00%	39,500	41,245
Unamortized premium			1,012	1,114
Series C of 2009 revenue bonds	09/2022	4.00% - 5.00%	28,755	28,755
Unamortized premium			1,586	1,801
Series A of 2009 revenue bonds	09/2019	5.00%	204,750	204,750
Unamortized premium			16,508	18,705
Series C of 2005 revenue bonds	07/2038	3.625% - 5.00%	128,940	133,315
Unamortized premium			3,076	3,266
Series A of 2005 revenue bonds	09/2025	4.25% - 5.00%	19,715	22,965
Unamortized premium			557	678
Series B of 2005 revenue bonds	09/2015	5.25%	31,440	38,310
Unamortized premium			640	1,134
Other loans	05/2031	3.00% - 7.85%	884	926
Total Fixed rate debt obligations:			1,004,957	724,895
Variable rate debt obligations:				
PHEFA				
Series of 1990 revenue bonds	12/2020	0.43%	6,500	6,500
Series of 1985 revenue bonds	12/2015	0.43%	10,610	10,610
Washington County authority				
Series of 2004	07/2034	0.15%	59,500	60,500
Other loans	04/2014	0.75%	18,300	18,300
Total Variable rate debt obligations			94,910	95,910
Total Academic Component debt obligations			$ 1,099,867	$ 820,805

	Final Maturity	Interest Rate at June 30, 2012	2012	2011
UPHS:				
Fixed rate debt obligations:				
PHEFA				
Series A of 2012 revenue bonds	08/2032	3.00% - 5.00%	$ 136,950	
Unamortized premium			12,858	
Series A of 2011 revenue bonds	08/2042	4.75% - 5.875%	150,000	$ 150,000
Unamortized discount			(1,085)	(1,139)
Series A of 2009 revenue bonds	08/2024	3.00% - 5.25%	83,290	86,185
Unamortized premium			1,331	1,501
Series B of 2008 revenue bonds	08/2027	5.00% - 6.00%	201,230	201,230
Unamortized discount			(2,057)	(2,320)
Series A of 2005 revenue bonds	08/2023	4.25% - 5.00%	187,305	203,415
Unamortized premium			5,343	6,875
Series B of 2005 revenue bonds	08/2018	3.00% - 5.00%	47,910	54,935
Unamortized premium			633	800
Total Fixed rate debt obligations:			823,708	701,482
Variable rate debt obligations:				
Series A of 2008 revenue bonds	03/2038	0.21%	91,610	96,520
Pennsylvania economic development financing authority				
Series C of 1994 revenue bonds	09/2014	0.22%	3,300	4,200
Total Variable rate debt obligations			94,910	100,720
Total UPHS debt obligations			918,618	802,202
Total University debt obligations			$ 2,018,485	$ 1,623,007

The University determines the fair value of its existing debt obligations by obtaining quoted market prices. The fair value was $2,215,688,000 and $1,707,234,000 at June 30, 2012 and 2011, respectively.

The University has letters of credit with various financial institutions to secure certain self insured liabilities in the amounts of $4,607,000 and $4,432,000 at June 30, 2012 and 2011, respectively. These letters of credit have evergreen provisions for automatic renewal. There have been no draws under these letters of credit.

Contractual maturities of debt obligations are as follows (in thousands):

Fiscal Year	Amount
2013	$ 60,196
2014	114,581
2015	56,207
2016	65,188
2017	44,750
Thereafter	1,630,977
Total Principal	1,971,899
Unamortized net premium/(discount)	46,586
Total Debt	$ 2,018,485

Academic Component

On April 5, 2012, the University issued Series of 2012 Taxable Bonds (Taxable 2012 Bonds) with an aggregate principal amount of $300,000,000. The proceeds of the Taxable 2012 Bonds will be used by the University for general purposes. Interest on the Taxable 2012 Bonds is fixed with coupon of 4.674%. The Taxable 2012 Bonds have a single maturity in 2112 and are subject to optional redemption by the University prior to maturity at a price equal to the greater of 100% of the principal of the redeemed bonds or the present value of the remaining scheduled payments of the principal amount plus accrued interest discounted at the Treasury Rate plus 25 basis points.

On March 2, 2011, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued Revenue Bonds Series A of 2011 (PHEFA 2011A Bonds) with an aggregate principal amount of $150,000,000. The proceeds were used to fund or reimburse the University for the cost of various capital projects. Interest on the PHEFA 2011A Bonds is fixed with coupons ranging from 4.00% to 5.00%. The PHEFA 2011A Bonds have serial maturities which are due in amounts ranging from $3,370,000 in 2016 to $6,335,000 in 2031 and one term maturity in the amount of $84,290,000 maturing in 2041, which will be subject to mandatory sinking fund redemption. The bonds are callable on or after March 1, 2021 at a price equal to 100% of the principal amount plus accrued interest.

On October 13, 2010, PHEFA issued Revenue Bonds Series of 2010 (PHEFA 2010 Bonds) with an aggregate principal amount of $71,410,000. The proceeds were used to fund an escrow which refunded $75,695,000 from the PHEFA Revenue Bonds Series 1998 on October 15, 2010. Interest on the PHEFA 2010 Bonds is fixed with coupons ranging between 4.00% and 5.00%. The PHEFA 2010 Bonds have serial maturities which are due in amounts ranging from $4,950,000 in 2023 to $8,245,000 in 2033. The bonds are callable on or after September 1, 2020 at a price equal to 100% of the principal amount plus accrued interest.

The University has variable rate debt in the amount of $85,610,000 which is subject to optional tender by the holders upon seven days notice. These bonds are reflected in the table above based on original scheduled maturities. In the event that the University receives notice of any optional tender on its variable rate demand bonds, the purchase price will be repaid from the remarketing of the bonds. However, in the event that the entire remarketing effort were to fail, the University would have the general obligation to purchase the bonds and the 2013 principal payments in the debt obligations maturity table on page 50 would increase from $26,936,000 to $102,546,000. On June 10, 2011, the University entered into a five year agreement with a financial institution, whereby the institution has agreed to provide a line of credit in the amount of $100,000,000 in order to supplement the University's liquidity relating to its variable rate demand bonds and for other general purposes of the University. The University pays a fee annually on the unused amount of the line of credit. As of June 30, 2012, there have been no draws under the agreement.

UPHS

Pennsylvania Higher Educational Facilities Authority Revenue Bonds

On May 2, 2012, UPHS issued the Series A of 2012 Bonds for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts from $525,000 to $9,750,000 with a final maturity of $3,970,000 in 2032. The bonds have coupons that range from 3.00% to 5.00%. The bonds are subject to optional redemption by the University on or after August 15, 2022, at a redemption price of 100% plus accrued interest.

On March 2, 2011, UPHS issued the Series A of 2011 Bonds for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts ranging from $3,200,000 to $26,600,000 with a final maturity of $17,810,000 in 2042. The bonds have coupons that range from 4.75% to 5.875%. The bonds maturing, on or after August 15, 2021 are subject to optional redemption by the University at redemption price of 100% plus accrued interest.

The PHEFA Revenue Bonds are secured by master notes issued under the UPHS Master Trust Indenture (MTI). The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness, and among other things, require UPHS to meet an annual debt service coverage requirement of "income available for debt service" (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) at an amount equal to 110% of the annual debt service requirements. If the coverage requirement for a particular year is not met, within six months of the close of that fiscal year UPHS must retain the services of a consultant to make recommendations to improve the coverage requirement. UPHS must also implement the recommendations of the consultant to the extent that they can be feasibly implemented. UPHS will not be considered to be in default of the provisions of the MTI so long as UPHS has sufficient cash flow to pay total operating expenses and to pay debt service for the fiscal year. In both 2012 and 2011, UPHS met its debt service coverage requirement under the MTI. Additionally, UPHS has pledged its gross revenues to secure its obligation under the MTI.

On April 13, 2011, UPHS entered into a two year agreement with a financial institution, whereby the institution has agreed to provide a line of credit in the amount of $100,000,000 in order to supplement liquidity for general purposes of the health system. UPHS paid an upfront facility fee and a fee on the unused amount of the line of credit. As of June 30, 2012, there have been no draws under the agreement.

UPHS has variable rate debt in the amount of $91,610,000 (PHEFA 2008A Revenue Bonds) which is subject to optional tender by the holders upon seven days notice. These bonds are reflected in the table above based on original scheduled maturities. These bonds are secured by a letter of credit, which expires April 2013, in the amount of $93,342,000 and $98,345,000 as of June 30, 2012 and 2011, respectively. This letter of credit has an annual renewal option. In the event that the letter of credit is not renewed, the 2013 principal payments in the debt obligations maturity table on page 37 would increase from $33,260,000 to $119,770,000. As of June 30, 2012, there have been no draws under this agreement.

PHEFA 1994C Revenue Bonds are secured by a letter of credit, which expires September 2014, in the amount of $3,398,000 and $4,324,000 as of June 30, 2012 and 2011, respectively. As of June 30, 2012, there have been no draws under this agreement.

Interest Rate Swap Agreements

The following tables summarize the fair value of the University's interest rate swap agreements, not designated as hedging instruments, as of June 30, 2012 and 2011, and the effect of the interest rate swap agreements on the Consolidated Statements of Activities, both realized and unrealized, for the years ended June 30, 2012 and 2011 (in thousands):

Statements of Position

	Line Item	2012	2011
Liability interest rate swaps			
Academic Component	Accrued expenses and other liabilities	$ 31,044	$ 14,547
UPHS	Accrued expenses and other liabilities	12,093	7,394
Total Liability interest rate swaps		$ 43,137	$ 21,941
Asset interest rate swaps			
UPHS	Other assets	$ 7,080	$ 2,472
Total Asset interest rate swaps		$ 7,080	$ 2,472

Statements of Activities

	Line Item	2012	2011
Academic Component	(Loss) gain on investments, net	$ (19,974)	$ 328
UPHS	(Loss) gain on investments, net	(1,878)	361
Total		$ (21,852)	$ 689

Academic Component

To protect against the risk of future interest rate changes in its debt portfolio, the Academic Component of the University entered into an interest swap agreement with Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP) on November 6, 2007. Under the agreement, commencing on November 3, 2008, GSMMDP began paying the University interest on the notional amount of $101,950,000 based on 67% of London Inter-Bank Offered Rate (LIBOR) and the University began paying GSMMDP interest at a fixed rate of 3.573% on a monthly basis. The swap agreement matures July 1, 2034. The University has the right to terminate, cancel and cash settle this agreement, in whole or in part, at current fair value, on any business day. The University determines the fair value of this agreement by obtaining a quote from GSMMDP which is based on the income approach, using observable market data to discount future net payment streams and accordingly considers this to be a Level 2 measurement. The quote provided by GSMMDP also represents the amount the University would accept or be required to pay to transfer the agreement to GSMMDP, or exit price as defined by the Fair Value Measurements standard. The University also takes into account the risk of nonperformance.

The agreement also contains a provision that requires the University to post collateral in the amount by which the fair value of the interest rate swap liability exceeds certain thresholds, which are based on the University's credit rating. At June 30, 2012, the threshold was $20,000,000 and $12,900,000 was posted as collateral.

UPHS

On January 7, 2010, UPHS entered into an interest rate exchange agreement (the Agreement) with Merrill Lynch Capital Services. The notional amount of the agreement was $28,065,000 and $30,000,000 as of June 30, 2012 and 2011, respectively. Under the terms of the Agreement, which became effective on January 7, 2010, UPHS pays a floating rate based on a Securities Industry and Financial Markets Association (SIFMA) index and receives a fixed rate of 2.902%. The Agreement was not entered into for trading or speculative purposes but rather to synthetically convert a portion of the UPHS Series A of 2009 Bonds to a variable interest rate. The Agreement will terminate on August 15, 2023.

On July 15, 2009, UPHS entered into an interest rate exchange agreement with Merrill Lynch Capital Services. The notional amount of the agreement was $28,065,000 and $30,000,000 as of June 30, 2012 and 2011, respectively. Under the terms of the Agreement, which became effective on January 1, 2010, UPHS pays a floating rate based on a SIFMA index and receives a fixed rate of 3.184%. The Agreement was not entered into for trading or speculative purposes but rather to synthetically convert a portion of the UPHS Series A of 2009 Bonds to a variable interest rate. The Agreement will terminate on August 15, 2023.

On October 24, 2007, UPHS entered into an interest rate exchange agreement with Merrill Lynch Capital Services to effectively fix the interest rate associated with UPHS Series A of 2008 Bonds (which legally defeased Series 2002 Pennsylvania Hospital Revenue Bonds). The notional amount of the agreement was $91,610,000 and $101,250,000 as of June 30, 2012 and 2011, respectively. Under the terms of the Agreement, which became effective on December 11, 2007, UPHS pays a fixed rate of 3.755% and receives a floating rate based on 67% of the one-month LIBOR. The Agreement was not entered into for trading or speculative purposes. UPHS has the option under the Agreement to terminate the Agreement at zero on January 1, 2018 and every 6 months thereafter.

UPHS determines the fair value of its three interest rate swap agreements by obtaining a quote from Merrill Lynch which is based on the income approach, using observable market data to discount future net payment streams and accordingly considers the agreements to be Level 2 measurements. The quote provided by Merrill Lynch also represents the amount UPHS would accept or be required to pay to transfer the Agreement to Merrill Lynch, or exit price as defined by the Fair Value Measurements standard. UPHS verifies the reasonableness of the quote provided by Merrill Lynch by comparing it to a similar quote from a swap adviser and the results of similar observable inputs used in a pricing model. UPHS also assesses the risk of nonperformance by reviewing bond ratings. The Agreements also contain provisions that require UPHS to post collateral in the amount by which the fair value of the interest rate swap liability exceeds certain thresholds, which are based on UPHS's credit rating. At June 30, 2012, the threshold was $40,000,000 and therefore no collateral was required to be posted.

14. Energy Hedges

The University has entered into several International Swaps and Derivatives Association agreements (ISDA agreements) to stabilize expected electricity costs over the long term. Under the agreements, the University has outstanding hedges with a notional amount of $53,729,000 for specific time periods and 1,128,335 Megawatt hours (MWhs) as of June 30, 2012. When the hedges settle at various maturities, there will be a cash transaction based on the number of MWhs that month for all of the hedges.

The University determines the fair value of these agreements by obtaining quotes from an energy consultant, which are determined using the market approach. The consultant analyzes prices and other relevant information generated by market transactions involving identical or comparable assets by using published New York Mercantile Exchange (NYMEX) close prices for hedges settled at the PJM Western Hub (PJM WH). The prices provided represent the amount the University would accept or be required to pay to transfer the agreement, or exit price as defined by the *Fair Value Measurements* standard. As the fair value of the hedges are determined based on inputs that are readily available in or can be derived from information available in public markets, the University has categorized the hedges as Level 2.

These agreements are subject to credit risk in excess of the amount recorded on the University's Statement of Position in accordance with generally accepted accounting principles. Credit risk represents the potential loss that may occur because a counterparty fails to perform according to the terms of the agreement. The University considers counterparty credit risk and its own credit risk, which did not have a material impact on its determination of fair values. The agreements also contain provisions that would require the University to post collateral in the amount by which the fair value of the agreement liability exceeds certain thresholds, which are based on the University's credit rating. At June 30, 2012, the minimum thresholds range from $20,000,000 to $25,000,000. The University evaluated its position as of June 30, 2012 and determined no collateral was required to be posted.

The following tables summarize the fair value of the University's ISDA agreements as of June 30, 2012 and 2011, and the effect of these agreements on the Consolidated Statements of Activities for the years ended June 30, 2012 and 2011 (in thousands):

Statements of Position

	Line Item		2012		2011
Asset position	Other assets	$	-	$	2,130
Liability position	Accrued expenses and other liabilities	$	8,121	$	-

Statements of Activities

	Line Item		2012		2011
Unrealized (Loss) Gain	(Loss) gain on investments, net	$	(10,251)	$	2,130
Realized Loss	Program and support expenses	$	(4,813)	$	(346)

15. Net Assets

The major components of net assets at June 30, 2012 and 2011 are as follows (in thousands):

2012		Unrestricted		Temporarily restricted		Permanently restricted		Total
General operating	$	2,335,280	$	153,577			$	2,488,857
Sponsored programs		31,452						31,452
Capital				178,919				178,919
Student loans		10,317			$	16,911		27,228
Planned giving agreements				199,809		12,703		212,512
Endowment		2,536,862		1,485,239		2,732,557		6,754,658
Total	$	4,913,911	$	2,017,544	$	2,762,171	$	9,693,626

2011		Unrestricted		Temporarily restricted		Permanently restricted		Total
General operating	$	2,681,552	$	104,032			$	2,785,584
Sponsored programs		40,594						40,594
Capital				196,797				196,797
Student loans		12,842		212	$	17,918		30,972
Planned giving agreements				178,950		14,868		193,818
Endowment		2,367,738		1,627,050		2,587,242		6,582,030
Total	$	5,102,726	$	2,107,041	$	2,620,028	$	9,829,795

16. Operating Leases

The University leases research labs, office space and equipment under operating leases expiring through March 2027. Rental expense for the years ended June 30, 2012 and 2011 totaling $65,488,000 and $64,554,000, respectively, is included in the accompanying Consolidated Statements of Activities.

At June 30, 2012, future minimum lease payments under operating leases with remaining terms greater than one year were as follows (in thousands):

2013	$	51,545
2014		50,700
2015		46,197
2016		40,657
2017		37,499
Thereafter		241,308
Total Minimum lease payments	$	467,906

17. Natural Classification of Expenditures

Expenses incurred were for (in thousands):

	Compensation	Student Aid	Depreciation	Interest	Operating	Total
June 30, 2012						
Instruction	$ 650,943	$ 62,500	$ 49,487	$ 4,671	$ 317,537	$ 1,085,138
Research	375,887	11,692	35,664	19,164	262,004	704,411
Hospital and physician practices	1,835,071		132,506	35,421	1,337,847	3,340,845
Auxiliary enterprises	26,676		25,203	4,044	70,463	126,386
Other educational activities	113,490	16	9,735	269	68,129	191,639
Student services	41,711	181		37	25,988	67,917
Academic support	32,916		26,037	324	11,824	71,101
Management and general	186,291	213	14,017	457	10,685	211,663
Independent operations	9,069		7,134	865	48,879	65,947
Total	$ 3,272,054	$ 74,602	$ 299,783	$ 65,252	$ 2,153,356	$ 5,865,047
June 30, 2011	$ 3,121,732	$ 70,697	$ 288,664	$ 47,913	$ 2,028,226	$ 5,557,232

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as of June 30, 2012

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University of Pennsylvania
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The 2011-2012 Annual Financial Report was produced by the Office of the VP for Finance and Treasurer

Special thanks to:
- Suzanne Arcari
- Russell DiLeo
- Anthony Sorrentino

Design by www.7ate9-Design.com

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