

***Temple University - Of The
Commonwealth System of
Higher Education***

*Consolidated Financial Statements
as of and for the years ended
June 30, 2011 and 2010, and
Independent Auditors' Report*

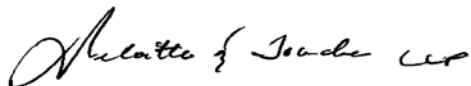
INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Temple University—Of The Commonwealth
System of Higher Education
Philadelphia, Pennsylvania

We have audited the accompanying consolidated balance sheets of Temple University—Of The Commonwealth System of Higher Education and subsidiaries (the "University") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the University at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



October 24, 2011

Temple University
Of The Commonwealth System of Higher Education
Consolidated Balance Sheets
(thousands of dollars)

	June 30, 2011	June 30, 2010
Current assets:		
Cash and cash equivalents	\$263,363	\$257,281
Investments and self-insurance trust funds	714,680	644,711
Accounts, loans and contributions receivable, net	256,730	317,427
Inventories and other assets	28,072	31,284
Deposits with trustees	115,697	122,180
Total current assets	1,378,542	1,372,883
Non-current assets:		
Accounts, loans and contributions receivable, net	92,781	92,060
Other assets	32,259	16,784
Investments and self-insurance trust funds	497,484	462,206
Deposits with trustees	81,921	115,607
Property, plant and equipment, net	1,349,521	1,296,907
Funds held in trust by others	66,143	56,918
Total non-current assets	2,120,109	2,040,482
Total assets	\$3,498,651	\$3,413,365
Current liabilities:		
Accounts payable and accrued expenses	\$255,167	\$290,144
Deferred revenue	58,753	55,904
Short-term debt	125,417	125,553
Current portion of long-term debt	24,395	37,519
Current portion of accrued pensions and postretirement benefits	20,268	20,878
Total current liabilities	484,000	529,998
Non-current liabilities:		
Accrued expenses and other liabilities	232,576	224,957
Long-term debt	828,410	847,722
Refundable federal student loans	50,817	51,207
Accrued pensions and postretirement benefits	86,594	168,998
Total non-current liabilities	1,198,397	1,292,884
Total liabilities	1,682,397	1,822,882
Net assets:		
Unrestricted	1,475,660	1,290,619
Temporarily restricted	86,627	64,275
Permanently restricted	253,967	235,589
Total net assets	1,816,254	1,590,483
Total liabilities and net assets	\$3,498,651	\$3,413,365

See notes to consolidated financial statements

Temple University
Of The Commonwealth System of Higher Education
Consolidated Statement of Activities
For the Year Ended June 30, 2011
(thousands of dollars)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Revenues:				
Tuition and fees (net of discounts of \$79,904)	\$577,621			\$577,621
Commonwealth of Pennsylvania appropriation	164,974			164,974
Federal grants and contracts	102,565			102,565
Commonwealth of Pennsylvania grants and contracts	17,663			17,663
Local grants and contracts	4,324			4,324
Private grants and contracts	19,177			19,177
Contributions for operations and endowments	15,717	\$17,274	\$9,539	42,530
Investment return	41,075	409	4	41,488
Sales of educational activities	7,327			7,327
Auxiliary enterprises	79,609			79,609
Patient care activities	1,129,511			1,129,511
Other sources	33,250			33,250
Net assets released from restrictions	12,632	(12,632)		
Total revenues	2,205,445	5,051	9,543	2,220,039
Expenses:				
Educational and general:				
Instruction	406,567			406,567
Research	112,249			112,249
Public service	19,465			19,465
Academic support	148,344			148,344
Student services	66,964			66,964
Institutional support	105,737			105,737
Student aid	9,353			9,353
Total educational and general	868,679	0	0	868,679
Auxiliary enterprises	93,073			93,073
Patient care activities	1,164,043			1,164,043
Total expenses	2,125,795	0	0	2,125,795
Excess of revenues over expenses	79,650	5,051	9,543	94,244
Other changes in net assets:				
Investment return	15,691	19,181	8,835	43,707
Commonwealth grants for property, plant and equipment (PP&E)	5,845			5,845
Contributions for PP&E	1,032	2,421		3,453
Loss on disposal of PP&E	(1,306)			(1,306)
TUHS gain from discontinued operations, net	4,684			4,684
Actuarial change in accrued pensions and postretirement benefits	75,117			75,117
Other	27			27
Net assets released from restrictions for PP&E	4,301	(4,301)		
Total other changes in net assets	105,391	17,301	8,835	131,527
Increase in net assets	185,041	22,352	18,378	225,771
Net assets July 1, 2010	1,290,619	64,275	235,589	1,590,483
Net assets June 30, 2011	\$1,475,660	\$86,627	\$253,967	\$1,816,254

See notes to consolidated financial statements

Temple University
Of The Commonwealth System of Higher Education
Consolidated Statement of Activities
For the Year Ended June 30, 2010
(thousands of dollars)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Revenues:				
Tuition and fees (net of discounts of \$75,983)	\$537,712			\$537,712
Commonwealth of Pennsylvania appropriation	164,974			164,974
Federal grants and contracts	84,943			84,943
Commonwealth of Pennsylvania grants and contracts	27,998			27,998
Local grants and contracts	4,205			4,205
Private grants and contracts	21,244			21,244
Contributions for operations and endowments	14,605	\$9,451	\$14,902	38,958
Investment return	51,629	429	2	52,060
Sales of educational activities	6,500			6,500
Auxiliary enterprises	77,408			77,408
Patient care activities	1,084,554			1,084,554
Other sources	29,827	15		29,842
Net assets released from restrictions	11,173	(11,173)		
Total revenues	<u>2,116,772</u>	<u>(1,278)</u>	<u>14,904</u>	<u>2,130,398</u>
Expenses:				
Educational and general:				
Instruction	385,221			385,221
Research	105,943			105,943
Public service	18,060			18,060
Academic support	146,247			146,247
Student services	64,049			64,049
Institutional support	98,405			98,405
Student aid	8,593			8,593
Total educational and general	<u>826,518</u>	<u>0</u>	<u>0</u>	<u>826,518</u>
Auxiliary enterprises	88,683			88,683
Patient care activities	1,154,015			1,154,015
Total expenses	<u>2,069,216</u>	<u>0</u>	<u>0</u>	<u>2,069,216</u>
Excess/(deficit) of revenues over expenses	<u>47,556</u>	<u>(1,278)</u>	<u>14,904</u>	<u>61,182</u>
Other changes in net assets:				
Investment return	17,188	5,462	2,928	25,578
Commonwealth grants for property, plant and equipment (PP&E)	11,727			11,727
Contributions for PP&E	11,514	1,794		13,308
Loss on disposal of PP&E	(3,572)			(3,572)
Loss on extinguishment of debt	(299)			(299)
Actuarial change in accrued pensions and postretirement benefits	(37,396)			(37,396)
Other	(589)			(589)
Net assets released from restrictions for PP&E	5,499	(5,499)		
Total other changes in net assets	<u>4,072</u>	<u>1,757</u>	<u>2,928</u>	<u>8,757</u>
Increase in net assets	<u>51,628</u>	<u>479</u>	<u>17,832</u>	<u>69,939</u>
Net assets July 1, 2009	<u>1,238,991</u>	<u>63,796</u>	<u>217,757</u>	<u>1,520,544</u>
Net assets June 30, 2010	<u><u>\$1,290,619</u></u>	<u><u>\$64,275</u></u>	<u><u>\$235,589</u></u>	<u><u>\$1,590,483</u></u>

See notes to consolidated financial statements

Temple University
Of The Commonwealth System of Higher Education
Consolidated Statements of Cash Flows
For the Years Ended June 30
(thousands of dollars)

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$225,771	\$69,939
Gain from discontinued operations, net (Note L)	(4,684)	
Change in net assets from continuing operations	221,087	69,939
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Currency translation adjustment	(27)	589
Provision for bad debts	39,392	38,999
Depreciation and amortization	105,724	104,517
Amortization of deferred financing costs	(1,977)	(1,432)
Realized and unrealized gain on investments	(49,661)	(38,976)
Actuarial change in accrued pensions and postretirement benefits	(75,117)	37,396
Estimated asset impairment		4,384
Loss on disposal of property, plant and equipment	1,306	3,572
Loss on extinguishment of debt		299
Contributions, grants and investment income of and for property, plant and equipment and for long-term investment	(25,060)	(50,593)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	19,650	(114,111)
Inventories and other assets	(4,908)	9,086
Accounts payable and accrued expenses	(42,662)	28,991
Deferred revenue	2,850	4,861
Accrued pensions and postretirement benefits	3,357	(1,830)
Net cash provided by operating activities	193,954	95,691
Cash flows from investing activities:		
Purchases of investments, deposits with trustees and self-insurance trusts	(1,383,371)	(1,411,426)
Sales and maturities of investments, deposits with trustees and self-insurance trusts	1,358,728	1,244,913
Purchases of property, plant and equipment	(161,516)	(133,477)
Proceeds from sale of property, plant and equipment	4,899	1,186
Loans to students	(7,032)	(6,386)
Proceeds from collections on student loans	9,156	7,762
Net cash used by investing activities	(179,136)	(297,428)
Cash flows from financing activities:		
Proceeds from contributions, Commonwealth grants and investment income restricted to property, plant and equipment and long-term investment	20,240	56,579
Refundable federal student loans	(390)	407
Change in split interest agreements	683	242
Proceeds from long-term debt	5,991	193,905
Increase in short-term borrowings, net	877	965
Payments to retire long-term debt	(36,198)	(47,068)
Net cash (used)/provided by financing activities	(8,797)	205,030
Exchange rate adjustments	61	(548)
Net increase in cash and cash equivalents	6,082	2,745
Cash and cash equivalents at beginning of the year	257,281	254,536
Cash and cash equivalents at end of the year	\$263,363	\$257,281
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$45,007	\$39,269
Property, plant and equipment acquired through capital leases	\$491	\$9,981
Accrued property, plant and equipment	\$5,732	\$2,748

See notes to consolidated financial statements

TEMPLE UNIVERSITY
Of The Commonwealth System of Higher Education
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

Note A. Summary of Significant Accounting Policies

Organization and Basis of Financial Statements: Temple University – Of The Commonwealth System of Higher Education (the University) is comprised of Temple University (TU), the academic division of the University, which is a state-related comprehensive research university with its headquarters and largest campus located in Philadelphia, Pennsylvania, and Temple University Health System, Inc. (TUHS), a Pennsylvania not-for-profit corporation of which the University is the sole member. TUHS is the parent of many health care subsidiaries in the Philadelphia area and serves principally to coordinate the activities of these subsidiaries. The financial statements have been prepared in accordance with generally accepted accounting principles and include TU, TUHS and the University's other subsidiaries, whose abbreviations used throughout these notes, are listed at the end of this report.

Basis of Accounting: The consolidated financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit organizations. The University's financial statements are presented such that net assets, revenues, gains, expenses and losses are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted: net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses are shown as decreases in unrestricted net assets.

Temporarily restricted: net assets subject to donor-imposed restrictions that can be fulfilled by actions of the University in accordance with those stipulations, or by the passage of time. Contributions and income from endowments for which restrictions have been met in the same fiscal year as their receipt are combined and reported with unrestricted revenues. The University classifies contributions to acquire long-lived assets as temporarily restricted net assets. The release of restrictions occurs when the asset is placed in service.

Permanently restricted: net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Donors of these assets permit the use of all or part of the income earned on these assets.

Temple University Physicians (TUP): Effective July 1, 1986, the Board of Trustees established the School of Medicine Designated Fund to account for unrestricted net assets generated by the excess of TUP revenues over expenses and transfers. TUP activity is included in Clinical Faculty Practice Plans in the unrestricted net assets detail presented at the end of these statements.

Note A. Summary of Significant Accounting Policies (continued)

Patient Care Activity: Included are patient service revenues of TUHS as well as TU revenues from the clinical activities of TUP, the School of Dentistry and the School of Podiatric Medicine. The University has agreements with third-party payors that provide for payments to the University at amounts different from its established rates. Payment arrangements primarily include prospectively determined rates per discharge and per-diem payments, and to a lesser extent reimbursed costs and discounted charges. In addition, the University receives Medical Assistance payments for the reimbursement of services for charity and uncompensated care services (Disproportionate Share Payments). The federal funding of such costs is subject to an upper payment limit and retrospective settlement. Patient care activity revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered or when known, and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Patient care activity revenue increased by \$6,465,000 and \$6,229,000 for 2011 and 2010, respectively, related to the final settlement of prior years' TUHS cost reports.

Charity Care: The University provides care without charge or for amounts less than its established rates, to patients who meet certain criteria under the University's charity care policy. Some patients qualify for charity care based on federal poverty guidelines or their financial condition being such that requiring payment would impose a hardship on the patient. The University maintains detailed records to identify and monitor the level of charity care it provides to its patients. The estimated costs incurred to provide charity care, including the estimated unreimbursed cost of services in excess of payments from Medical Assistance programs were \$174,056,000 and \$179,588,000, for 2011 and 2010, respectively. The University received Commonwealth of Pennsylvania grants, Access to Care Program and other support of \$126,557,000 and \$108,523,000 resulting in net costs of \$47,499,000 and \$71,065,000, for 2011 and 2010, respectively. Because the University does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient care activities revenue.

Cash and Cash Equivalents: Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less from the date of purchase. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments: Investments are comprised of the assets of the University's endowment, certain temporarily restricted funds, funds designated by the Board of Trustees to be invested as endowments, certain funds set aside to retire long-term debt, other plant-related funds and other unrestricted funds held for operating purposes. The University reports investments, including debt and equity securities, at fair value. Investments established for endowments, and certain investments set aside to retire long-term debt are classified as non-current assets. All other investments are classified as current assets.

The University also invests in various limited partnerships which are private equity funds. The fair value of such investments is determined by the fund managers and financial information provided by the limited partnership. This financial information includes assumptions and methods that were reviewed by the University. Because these investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material. These investments vary as to their level of liquidity, with differing requirements for notice prior to redemption or withdrawal (Note H).

Note A. Summary of Significant Accounting Policies (continued)

TU has adopted, for endowments and funds designated by the Board of Trustees to be invested as endowments, a spending rule based on 4.5% of the fair value of such investments, computed as a moving average over the past twelve quarters. For these investments the spending rule amount is reported as investment return in revenues, and the excess or shortfall of total return over the spending rule amount is reported as investment return in other changes in net assets in the statement of activities. For all other TU investments, interest and dividend income is reported as investment return in revenues and realized and unrealized gains or losses are reported as investment return in other changes in net assets in the statement of activities. TUHS interest, dividends and realized gains or losses are reported as investment return in revenues. TUHS unrealized gains or losses are reported as investment return in other changes in net assets in the statement of activities.

Investment return is reported as increases to unrestricted, temporarily restricted or permanently restricted net assets based upon the existence or absence of donor imposed restrictions.

Inventories: Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out or average cost method.

Self-Insurance: The University self-insures or maintains deductibles under its various insurance policies for property, casualty, automobile, general liability, medical malpractice, worker's compensation, certain health and welfare and other claims. Provisions are made for estimated losses (claims made and claims incurred but not reported) generally based on actuarial methods, which include discounting of certain loss provisions.

Fair Value of Assets and Liabilities: The University has categorized its assets measured at estimated fair value into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation (Note H).

A reasonable estimate of the fair value of loans receivable from students under government loan programs and refundable federal student loans could not be made because the loans are not readily saleable. These loans are recorded at cost, less an allowance for doubtful accounts.

Asset Impairment: The University reviews long-lived assets for impairment whenever events or changes indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their expected future cash flows. If such assets are considered to be impaired, the impairment is measured by the amount the carrying value exceeds the fair value of the assets. During fiscal year ended June 30, 2010, based on offers to purchase property, plant and equipment related to the closure of Northeastern Hospital, TUHS recognized a non-cash impairment charge of \$4,384,000. This amount is included in patient care activities expense on the 2010 statement of activities. The fair value of the property, plant and equipment was determined by management in consultation with an independent appraiser. There was no impairment recorded in 2011.

Note A. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations: The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. At June 30, 2011 and 2010, the recorded asset retirement obligation liability is \$15,775,000 and \$16,408,000, respectively. Accretion costs for 2011 and 2010 were \$1,247,000 and \$1,104,000, respectively.

Funds Held In Trusts By Others: These are investments that, by direction of the donor, the University has neither possession nor control, but is a beneficiary of their income.

Defined Benefit Pension and Other Postretirement Plans: The University recognizes the over funded or underfunded status of its defined benefit and postretirement plans as an asset or liability in its balance sheets and recognizes changes in the funded status of the plans that arise during the period, but are not recognized as components of net periodic benefit cost, as Actuarial change in accrued pensions and postretirement benefits in the statements of activities.

Income Taxes: Substantially all of the individual members of the University are nonprofit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. The University's federal Exempt Organization Business Income Tax Returns for 2011, 2010, 2009, and 2008 remain subject to examination by the Internal Revenue Service. GAAP requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe its consolidated financial statements include any uncertain tax positions.

Recovery of FICA Taxes Paid in Prior Years - During 2010, TUHS recognized a \$10,800,000 recovery of the employer portion of Federal Insurance Contributions Act ("FICA") taxes paid by TUHS during the years 1995 through 2005 on the compensation of its medical residents. The recovery was recognized as a reduction to patient care expense.

Recently Issued Accounting Pronouncements: On July 1, 2010, the University adopted Accounting Standards Codification (ASC) Topic 958, *Fair Value Measurements and Disclosures*, regarding mergers and acquisitions for not-for-profit entities. ASC Topic 958 changes the accounting for (1) combinations involving two or more not-for-profit entities and (2) combinations in which a not-for-profit entity acquires a for-profit business or a nonprofit activity. The impact of adopting ASC Topic 958 will be dependent on any future mergers and acquisitions that the University may pursue.

Note A. Summary of Significant Accounting Policies (continued)

On July 1, 2010, the University adopted Accounting Standards Update (ASU) 2010-06, *Improving Disclosures About Fair Values*, which provides guidance regarding improved disclosures about fair value measures and amends ASC Topic 820 and ASC Topic 715. Specifically, the ASU requires entities to disclose the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers; the reasons for any transfers into or out of Level 3; and information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, the ASU also amends ASC 820 to clarify certain existing disclosure requirements. The ASU amends ASC 820 to clarify that reporting entities are required to provide fair value disclosures for each class of assets or liabilities and information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements.

On July 21, 2010, the Financial Accounting Standards Board (FASB) issued ASU 2010-20, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which amends ASC 310, *Receivables*, by requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The objective of enhancing these disclosures is to improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. ASU 2010-20 was adopted by the University on June 30, 2011 and the required disclosures related to student loans receivable are included in the consolidated financial statements (Note C).

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, which provides guidance regarding measuring charity care for disclosure and is incorporated into ASC Topic 954-605. The ASU requires that management's policy for providing charity care, as well as the level of charity care provided, is disclosed in the financial statements. Such disclosures shall be measured based on the provider's direct and indirect costs of providing charity care services. The ASU is effective for fiscal years beginning after December 15, 2010, and will be adopted by the University in fiscal 2012. The University is currently assessing the impact the adoption of the ASU will have on its consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which is guidance regarding the presentation of insurance claims and related insurance recoveries and is incorporated into ASC Topic 954-450 and ASC Topic 954-720. The ASU requires that the ultimate costs of malpractice claims or similar contingent liability shall be accrued when the incidents that give rise to the claims occur. In addition, an entity shall evaluate its exposure to losses arising from claims and recognize a liability, if appropriate. Also, an entity with a retrospectively rated insurance policy whose ultimate premium is based primarily on the entity's loss experience shall account for the minimum premium as an expense over the period of coverage under the policy. Insurance recoveries shall not be recognized until the estimated losses exceed the stipulated maximum premium. The ASU is effective for fiscal years beginning after December 15, 2010, and will be adopted by the University in fiscal 2012. The University is currently assessing the impact the adoption of the ASU will have on its consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820)*, which is guidance that results in common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. The ASU is effective for fiscal years beginning after December 15, 2011. The University is currently assessing the impact the adoption of the ASU will have on its consolidated financial statements.

Note B. Investments and Self-Insurance Trust Funds

The fair values of investments and self-insurance trust funds are as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Investments:		
Corporate bonds and notes	\$ 179,129,000	\$ 213,828,000
U.S. government securities	430,164,000	475,638,000
Fixed income index funds	296,855,000	136,499,000
Money market funds	29,445,000	41,845,000
Equity funds and securities	207,974,000	177,800,000
Limited partnerships	49,036,000	39,430,000
Other	3,422,000	4,171,000
	<u>\$ 1,196,025,000</u>	<u>\$ 1,089,211,000</u>
 Self-insurance trust funds:		
Corporate bonds and notes	\$ 5,396,000	\$ 4,605,000
U.S. government securities	10,152,000	12,463,000
Money market funds	591,000	638,000
	<u>\$ 16,139,000</u>	<u>\$ 17,706,000</u>

Investment return reported in the statement of activities is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 35,534,000	\$ 38,662,000
Realized and unrealized gains, net	49,661,000	38,976,000
	<u>\$ 85,195,000</u>	<u>\$ 77,638,000</u>

Note C. Accounts, Loans and Contributions Receivable

Accounts receivable are shown net of allowances as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Student	\$ 26,480,000	\$ 23,248,000
Patients	164,502,000	181,151,000
Health care programs	15,129,000	32,317,000
Grants and contracts	33,279,000	35,297,000
Commonwealth construction	6,501,000	2,813,000
Other	29,698,000	63,194,000
	<u>275,589,000</u>	<u>338,020,000</u>
Less: Allowance for doubtful accounts	(33,831,000)	(35,048,000)
Accounts receivable, net	<u>\$ 241,758,000</u>	<u>\$ 302,972,000</u>

The University provides health care services primarily to area residents through its inpatient and outpatient care facilities in the Greater Philadelphia Metropolitan Area. As a function of its mission and location, the University serves a disproportionately high number of poor or indigent patients. This results in the University deriving a substantial portion of its patient care revenues from the Federal Government (Medicare) and the Commonwealth of Pennsylvania (Medical Assistance) programs. At June 30, 2011 and 2010, the University had net accounts receivable from Medicare of \$17,919,000 and \$17,929,000, respectively, and from Medical Assistance of \$46,044,000 and \$42,501,000, respectively.

Note C. Accounts, Loans and Contributions Receivable (continued)

Loans to students are disbursed based on financial need and consist of loans granted by the University under federal government loan programs and loans granted from institutional resources. Upon the earlier of graduation or no longer having full time student status, the students have a grace period, which varies by loan type, until repayment of loans is required. Loans to students are shown net of allowances as follows:

	June 30, 2011	June 30, 2010
Federal government loan programs:		
Perkins loan program	\$ 38,357,000	\$ 40,132,000
Health professional and disadvantaged student loans	17,268,000	17,583,000
Nursing student loans	620,000	655,000
	<u>56,245,000</u>	<u>58,370,000</u>
Institutional loan programs	1,409,000	1,408,000
	<u>57,654,000</u>	<u>59,778,000</u>
Less: Allowance for doubtful accounts		
Balance, beginning of period	(8,035,000)	(7,820,000)
Provision for doubtful accounts	(556,000)	(215,000)
Balance, end of period	<u>(8,591,000)</u>	<u>(8,035,000)</u>
Student loans receivable, net	<u>\$ 49,063,000</u>	<u>\$ 51,743,000</u>

Student loans are considered past due when payment has not been received in over 30 days. At June 30, 2011 and 2010, past due student loans were \$14,231,000 and \$14,339,000, respectively.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Further, the University does not evaluate the credit quality of the student loans receivable after the initial approval and calculation of the loans.

Contributions receivable are unconditional promises to give, restricted by donors for scholarships, capital acquisitions and other operating purposes. They are expected to be realized in the following periods:

	June 30, 2011	June 30, 2010
Less than one year	\$ 16,271,000	\$ 13,313,000
One to five years	21,895,000	22,368,000
More than five years	39,143,000	38,171,000
	<u>77,309,000</u>	<u>73,852,000</u>
Less:		
Allowance for uncollectible contributions	(2,306,000)	(2,251,000)
Present value discount	(16,313,000)	(16,829,000)
Contributions receivable, net	<u>\$ 58,690,000</u>	<u>\$ 54,772,000</u>

The rates used to calculate the present value discount are tied to U.S. Government treasury notes and were between .65% and 5.21% and .96% and 5.21% for the years ended June 30, 2011 and 2010, respectively. The University recognized \$14,301,000 and \$13,454,000 in contribution revenue from new pledges and collected \$3,112,000 and \$1,747,000 of those pledges in 2011 and 2010, respectively.

Note D. Pensions and Postretirement Benefits

Faculty, administration and certain clerical employees are offered pension benefits through the University's participation in the Teacher's Insurance and Annuity Association, the College Retirement Equities Fund, Fidelity Investments and other defined contribution pension plans. The policy of the University is to contribute its share of the annual amount accrued in connection with these plans. Pension expense for these plans was \$45,862,000 and \$44,187,000 in 2011 and 2010, respectively.

Certain union employees are covered by multi-employer pension plans to which the University contributes. Under the Employee Retirement Income Security Act of 1974, as amended by the Multi-employer Pension Plan Amendments Act of 1980, a contributor to a multi-employer plan is liable, upon termination of the plan or its withdrawal from the plan, for its share of the plan's unfunded vested liabilities. Until either event occurs, the University's share, if any, of the unfunded vested liabilities cannot be determined. At present, the University has no plans to withdraw from the union multi-employer pension plans. Pension expense for these plans was \$4,663,000 and \$4,262,000 in 2011 and 2010, respectively.

The University maintains postretirement benefits and defined benefit pension plans covering certain employees and makes contributions to the plans that comply with the funding provisions of the Internal Revenue Code. Benefits begin for eligible employees at age 62, and upon the accumulation of 10 years of service.

The activity of the pension and postretirement benefits plans for the years ended June 30, 2011 and 2010 are as follows:

	Benefit Obligations and Funded Status			
	Pensions		Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation, beginning of period	\$ 167,643,000	\$ 139,433,000	\$ 345,568,000	\$ 298,412,000
Service cost	531,000	612,000	14,697,000	14,864,000
Interest cost	8,906,000	8,992,000	14,789,000	17,732,000
Plan participant contributions	244,000	96,000	2,722,000	2,781,000
Actuarial (gain)/loss	(299,000)	24,681,000	(46,067,000)	27,855,000
Benefits paid	(5,804,000)	(5,344,000)	(18,406,000)	(16,076,000)
Settlement	(1,330,000)	(827,000)		
Benefit obligation, end of period	169,891,000	167,643,000	313,303,000	345,568,000
Change in plan assets:				
Fair value of plan assets, beginning of period	133,831,000	125,240,000	191,994,000	162,311,000
Actual return on plan assets	22,411,000	13,123,000	26,775,000	22,234,000
Employer contributions	7,119,000	2,668,000	25,573,000	20,744,000
Plan participant contributions	244,000	96,000	2,722,000	2,781,000
Plan expenses	(1,341,000)	(1,125,000)		
Benefits paid	(5,804,000)	(5,344,000)	(18,406,000)	(16,076,000)
Settlement	(1,330,000)	(827,000)		
Fair value of plan assets, end of period	155,130,000	133,831,000	228,658,000	191,994,000
Funded status	<u>\$ (14,761,000)</u>	<u>\$ (33,812,000)</u>	<u>\$ (84,645,000)</u>	<u>\$ (153,574,000)</u>

Note D. Pensions and Postretirement Benefits (continued)

Benefit Obligations and Funded Status

	<u>Pensions</u>		<u>Postretirement Benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Amounts recognized in the balance sheets consist of:				
Noncurrent assets	\$ 7,456,000	\$ 2,490,000		
Noncurrent (liabilities)	(22,217,000)	(36,302,000)	\$ (84,645,000)	\$ (153,574,000)
Net amount recognized	\$ (14,761,000)	\$ (33,812,000)	\$ (84,645,000)	\$ (153,574,000)
Accumulated amounts recognized in other changes in net assets consist of:				
Prior service cost	\$ 41,000	\$ 54,000		
Unrecognized net loss	70,913,000	86,140,000	\$ 29,287,000	\$ 88,809,000
Net amount recognized	\$ 70,954,000	\$ 86,194,000	\$ 29,287,000	\$ 88,809,000
Weighted-average assumptions used to determine the benefit obligations:				
Discount rate	5.30% -5.70%	5.25% -5.40%	5.35%	5.20%
Rate of compensation increase	3.25%	3.25%	N/A	N/A
Health care cost trend rate			9.20%	9.80%
Ultimate rate			5.00%	5.00%
Year that ultimate rate is reached			2018	2018

Net Periodic Cost

	<u>Pensions</u>		<u>Postretirement Benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Components of net periodic cost:				
Service cost	\$ 1,656,000	\$ 612,000	\$ 14,697,000	\$ 14,864,000
Interest cost	8,906,000	8,992,000	14,789,000	17,732,000
Expected return on plan assets	(11,459,000)	(12,357,000)	(14,472,000)	(13,428,000)
Amortization	14,000	14,000	1,152,000	5,237,000
Recognized net actuarial loss	3,394,000	1,164,000		
Net periodic (benefit)/cost	\$ 2,511,000	\$ (1,575,000)	\$ 16,166,000	\$ 24,405,000
Weighted-average assumptions used to determine net periodic cost:				
Discount rate	5.25% - 5.55%	6.40% -6.50%	5.20%	6.35%
Expected return on plan assets	7.50%	7.50% -8.50%	7.50%	8.00%
Rate of compensation increase	3.25%	3.25%	N/A	N/A
Health care cost trend rate			9.80%	10.40%
Ultimate rate			5.00%	5.00%
Year that ultimate rate is reached			2018	2018

Assumed health care cost trend rates have a significant effect on amounts reported for the postretirement benefits plan. A one-percentage point change in the assumed healthcare trend rate would have the following effects for the year ended or as of June 30, 2011:

	<u>Increase</u>	<u>Decrease</u>
Effect on service cost and interest cost components of net periodic postretirement benefits cost	\$ 3,404,000 11.55%	\$ (2,999,000) (10.17)%
Effect on benefit obligation, end of year	\$ 32,889,000 10.50%	\$ (34,474,000) (11.01)%

Note D. Pensions and Postretirement Benefits (continued)

Plan Assets

The long-term investment strategy for pension and postretirement benefits plans assets is to: meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk. The expected return on plan assets equals a weighted average of the individual expected returns for each asset category in the plans' portfolio. The target ranges for the pension plan investment portfolio is stocks 40% to 95% and fixed income and cash 5% to 60%. The target ranges for the postretirement benefits plan investment portfolio is stocks 40% to 60% and fixed income and cash 40% to 60%. The actual asset allocation as of June 30 is as follows:

<u>Asset class</u>	<u>Pensions</u>		<u>Postretirement Benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Stocks	57%	57%	54%	55%
Fixed income and cash	43%	43%	46%	45%

Cash Flows

The following table shows expected cash flows of the pension and postretirement benefits plans:

	<u>Pensions</u>	<u>Postretirement Benefits</u>
Expected contributions for next fiscal year:		
Employer	\$ 2,890,000	\$ 19,221,000
Employee	252,000	2,817,000
Estimated future benefit payments reflecting expected future service for fiscal years ending:		
6/30/2012	\$ 7,524,000	\$ 16,874,000
6/30/2013	8,005,000	17,585,000
6/30/2014	8,422,000	18,512,000
6/30/2015	8,853,000	19,572,000
6/30/2016	9,289,000	20,250,000
Thereafter	53,511,000	111,616,000

The actuarial present value of accumulated plan benefits related to a non-active group annuity pension plan has neither been determined nor included above because a guarantee of payment to the plan's beneficiaries has been made by The Equitable Life Assurance Society of America. This plan had total net assets available for benefits of \$2,642,000 and \$2,868,000 at June 30, 2011 and 2010, respectively. The University authorized participants in a non-active Equitable pension plan to transfer their employee contributions, plus interest, to a separate pension plan. This plan had total net assets available for benefits of \$207,000 and \$266,000 at June 30, 2011 and 2010, respectively. These assets are 100% non-forfeitable to the plan participants. The University is not obligated to make additional contributions to this plan and acts solely as plan administrator.

Note E. Deposits with Trustees

The University has on deposit with trustees amounts established for construction and debt repayment. These deposits are primarily invested in U.S. Government securities and money market funds. See Note G for bond descriptions. A summary of these deposits stated at fair value and the related debt is as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Construction Funds:		
PHEFA, First Series of 2010A	\$ 17,338,000	\$ 17,367,000
PHEFA, First Series of 2010B	128,068,000	140,697,000
PHEFA, First Series of 2006		26,986,000
	<u>\$ 145,406,000</u>	<u>\$ 185,050,000</u>
Debt Repayment Funds:		
PHEFA, First Series of 2010B	\$ 1,489,000	
PHEFA, First Series of 2006		\$ 1,000
THHEFAP, First Series of 2007 (TUHS)	34,389,000	28,771,000
THHEFAP, First Series of 1993 (TUH)	16,334,000	13,632,000
Pennsylvania Industrial Development Corporation notes payable (TUHS)		10,333,000
	<u>\$ 52,212,000</u>	<u>\$ 52,737,000</u>
Total	<u>\$ 197,618,000</u>	<u>\$ 237,787,000</u>

Note F. Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land and land improvements	\$ 64,134,000	\$ 62,772,000
Land - Commonwealth of Pennsylvania	12,445,000	12,445,000
Buildings	1,324,111,000	1,295,062,000
Buildings - Commonwealth of Pennsylvania	234,378,000	234,378,000
Equipment and library books	840,374,000	777,244,000
Equipment - Commonwealth of Pennsylvania	36,163,000	36,163,000
Construction in progress	92,510,000	42,685,000
	<u>2,604,115,000</u>	<u>2,460,749,000</u>
Less accumulated depreciation	(1,254,594,000)	(1,163,842,000)
Property, plant and equipment, net	<u>\$ 1,349,521,000</u>	<u>\$ 1,296,907,000</u>

Property, plant and equipment owned by the University are stated at cost or, if acquired by gift, at the fair value at the date of acquisition. Property, plant and equipment owned by the Commonwealth of Pennsylvania, which has been constructed, purchased or acquired for use by the University, are stated at the Commonwealth's cost. Buildings and equipment are depreciated primarily by the straight-line method over their estimated useful lives. Estimated useful lives are as follows: land improvements, 15 years; buildings, between 20 and 40 years; leasehold improvements, the lesser of the asset life or term of the lease; and equipment and library books, between 3 and 20 years. Depreciation expense was \$105,559,000 and \$104,340,000 in 2011 and 2010, respectively.

Note G. Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Short-term debt:		
University Funding Obligation, Series of 2011, due April 2012, at an effective interest rate of .40%	\$ 120,997,000	
University Funding Obligation, Series of 2010, paid April 2011		\$ 121,109,000
Temple Educational Support Services (TESS) line of credit	4,420,000	4,444,000
Total short-term debt	<u>\$ 125,417,000</u>	<u>\$ 125,553,000</u>
Long-term debt:		
EH Episcopal Hospital Foundation loan due November 2011 with a stated rate of 5.00%	\$ 5,273,000	\$ 6,500,000
PHEFA Temple University Revenue Bonds, First Series of 2006, net of unamortized premium – 2011, \$6,032,000; 2010, \$6,494,000 with varying amounts due between 2011 and 2036 with stated rates between 4.50% and 5.00% at an effective rate for 2011 of 4.71% *	328,068,000	336,023,000
PHEFA Temple University Revenue Bonds, First Series of 2010A, net of unamortized premium – 2011, \$3,465,000; 2010, \$3,666,000; with varying amounts due between 2011 and 2021 with stated rates between 4.00% and 5.00% at an effective rate for 2011 of 4.06%*	44,605,000	50,331,000
PHEFA Temple University Revenue Bonds, First Series of 2010B, with varying amounts due between 2011 and 2040 with stated rates between 4.21% and 6.29% at an effective rate for 2011 of 3.60%*	143,590,000	143,590,000
THHEFAP TUHS Hospital Revenue Bonds, Series A and B of 2007, net of unamortized discount –2011, \$745,000; 2010, \$833,000, with stated rates of 5.00% and 5.50% at an effective rate for 2011 of 5.98%, due in installments through 2035**	214,932,000	216,622,000
THHEFAP Temple Hospital Revenue Bonds, Series of 1993, net of unamortized discount –2011, \$615,000 2010, \$704,000, with a stated rate of 6.63% at an effective rate for 2011 of 5.90%, due in installments through 2035 **	108,120,000	108,031,000
TUHS note payable to the Pennsylvania Industrial Development Corporation paid, April 2011		12,500,000
Capital leases	8,217,000	11,644,000
Total long-term debt	<u>\$ 852,805,000</u>	<u>\$ 885,241,000</u>
Total debt	<u>\$ 978,222,000</u>	<u>\$ 1,010,794,000</u>

Bond Issues

* TU Bond Issues

The University has previously defeased bonds by placing U.S. Government securities in irrevocable trusts to be used solely for satisfying both principal and interest of the indebtedness. The outstanding balances were \$943,000 and \$1,258,000 at June 30, 2011 and 2010, respectively. These debts along with related trust funds do not appear on the balance sheets of the University.

Note G. Debt (continued)

Pennsylvania Higher Educational Facilities Authority (PHEFA), Temple University Revenue Bonds, First Series of 2006, are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS, and an insurance policy issued by MBIA.

Pennsylvania Higher Educational Facilities Authority, Temple University Revenue Bonds, First Series of 2010A, are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS, and an insurance policy issued by MBIA Insurance Corporation (MBIA).

Pennsylvania Higher Educational Facilities Authority, Temple University Revenue Bonds, First Series of 2010B, are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS, and an insurance policy issued by MBIA. The 2010B bonds are federally taxable "Build America Bonds", as authorized by the American Recovery and Reinvestment Act of 2009. The University will receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the 2010B bonds. The University recognized tax credits of \$2,977,000 and \$571,000 for 2011 and 2010, respectively.

** TUHS Bond Issues

The TUHS bond issues consist of the Hospitals and Higher Education Facilities Authority of Philadelphia (THHEFAP), TUHS Hospital Revenue Bonds, Series A and B of 2007 and the THHEFAP, Temple Hospital Revenue Bonds, Series of 1993. The THHEFAP bond issues are non-recourse to TU. The bond issues and notes payable are generally collateralized by the assets and gross revenues of the TUHS Obligated Group and are subject to various financial covenants. The TUHS Obligated Group includes TUHS, TUH, JH, TPI and T3.

The University has complied with all financial debt covenants for fiscal 2011 and 2010.

Leases

Property, plant and equipment with respect to capital leases had a net book value of \$7,850,000 and \$10,621,000 as of June 30, 2011 and 2010, respectively. Total expense for operating leases was \$33,981,000 and \$32,488,000 for the years ended June 30, 2011 and 2010, respectively.

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

	<u>Capital Leases</u>	<u>Non-cancelable Operating Leases</u>
2012	\$ 3,764,000	\$ 25,153,000
2013	2,093,000	13,401,000
2014	1,728,000	12,636,000
2015	677,000	12,247,000
2016	103,000	11,346,000
Thereafter		85,898,000
Total minimum lease payments	<u>8,365,000</u>	<u>\$ 160,681,000</u>
Amounts representing interest on capital leases	(148,000)	
Present value of net minimum capital lease payments	<u>\$ 8,217,000</u>	

Note G. Debt (continued)

Interest

Total interest cost was \$43,078,000 and \$40,396,000 for the years ended June 30, 2011 and 2010, respectively. The University capitalizes interest cost on qualifying assets. The University increased the basis of its plant assets by \$953,000 and \$516,000 in 2011 and 2010, respectively, for interest expense capitalized. In the accompanying statements of activities, the University offsets certain interest income prior to its allocation to the functional expense categories. Such offsets amounted to \$6,531,000 and \$2,496,000 for 2011 and 2010, respectively.

Fair Value and Maturity

The fair value of long-term debt is based on quoted market prices or is estimated using discounted cash flow analyses for similar types of borrowing arrangements based on incremental borrowing rates. The fair value of long-term debt at June 30, 2011 and 2010 is approximately \$803,336,000 and \$852,758,000, respectively. Long-term debt matures in varying amounts through 2040. The aggregate amount of principal payments, excluding capital leases, are as follows:

2012	\$ 20,715,000
2013	22,540,000
2014	23,499,000
2015	24,510,000
2016	25,591,000
Thereafter	727,733,000
Total	<u>\$ 844,588,000</u>

Note H. Fair Value Measurements

Fair value is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, the University uses a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2:

- Quoted prices in active markets for similar assets or liabilities.
- Quoted prices in markets that are not active for identical or similar assets or liabilities.
- Inputs other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived primarily from or corroborated by observable market data by correlation or other means.

Note H. Fair Value Measurements (continued)

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the University's own assumptions.

Financial assets recorded at fair value on a recurring basis, by level within the fair value hierarchy, are as follows:

<u>June 30, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate bonds and notes		\$ 179,129,000		\$ 179,129,000
U.S. government securities	\$278,297,000	151,867,000		430,164,000
Fixed income index funds	225,000,000	71,855,000		296,855,000
Money market funds	29,445,000			29,445,000
Equity funds and securities	124,939,000	75,104,000	\$ 7,931,000	207,974,000
Limited partnerships		13,298,000	35,738,000	49,036,000
Other		2,285,000		2,285,000
	<u>\$ 657,681,000</u>	<u>\$ 493,538,000</u>	<u>\$ 43,669,000</u>	<u>1,194,888,000</u>
Investments carried at equity				1,137,000
				<u>\$ 1,196,025,000</u>
Self-insurance trust funds:				
Corporate bonds and notes		\$ 5,396,000		\$ 5,396,000
U.S. government securities	\$ 6,585,000	3,567,000		10,152,000
Money market funds	591,000			591,000
	<u>\$ 7,176,000</u>	<u>\$ 8,963,000</u>	<u>\$ 0</u>	<u>\$ 16,139,000</u>
Deposits with Trustees:				
U.S. government securities		\$ 155,461,000		\$ 155,461,000
Money market funds	\$ 40,668,000			40,668,000
Other	1,489,000			1,489,000
	<u>\$ 42,157,000</u>	<u>\$ 155,461,000</u>	<u>\$ 0</u>	<u>\$ 197,618,000</u>
Funds held in trust with others:				
Corporate bonds and notes		\$ 7,620,000		\$ 7,620,000
U.S. government securities	\$ 2,226,000	5,062,000		7,288,000
Fixed income index funds	2,647,000			2,647,000
Money market funds	3,119,000			3,119,000
Equity funds and securities	42,256,000			42,256,000
Other		1,014,000	\$ 2,199,000	3,213,000
	<u>\$ 50,248,000</u>	<u>\$ 13,696,000</u>	<u>\$ 2,199,000</u>	<u>\$ 66,143,000</u>
Pension Plans:				
U.S. government securities	\$ 2,093,000	\$ 19,234,000		21,327,000
Fixed income index funds	16,276,000	25,691,000		41,967,000
Money market funds	3,812,000			3,812,000
Equity funds and securities	55,373,000	30,881,000	\$ 1,770,000	88,024,000
	<u>\$ 77,554,000</u>	<u>\$ 75,806,000</u>	<u>\$ 1,770,000</u>	<u>\$ 155,130,000</u>
Postretirement Plans:				
U.S. government securities	\$ 8,562,000			\$ 8,562,000
Fixed income index funds		\$ 90,149,000		90,149,000
Money market funds	6,859,000			6,859,000
Equity funds and securities	97,246,000	25,646,000		122,892,000
Contribution receivable	196,000			196,000
	<u>\$ 112,863,000</u>	<u>\$ 115,795,000</u>	<u>\$ 0</u>	<u>\$ 228,658,000</u>

Note H. Fair Value Measurements (continued)

June 30, 2010	Level 1	Level 2	Level 3	Total
Investments:				
Corporate bonds and notes		\$ 213,828,000		\$ 213,828,000
U.S. government securities	\$ 278,668,000	196,970,000		475,638,000
Fixed income index funds		136,499,000		136,499,000
Money market funds	41,845,000			41,845,000
Equity funds and securities	170,636,000		\$ 7,164,000	177,800,000
Limited partnerships			39,430,000	39,430,000
Other		2,461,000		2,461,000
	<u>\$ 491,149,000</u>	<u>\$ 549,758,000</u>	<u>\$ 46,594,000</u>	<u>1,087,501,000</u>
Investments carried at equity				<u>1,710,000</u>
				<u>\$ 1,089,211,000</u>
Self-insurance trust funds:				
Corporate bonds and notes		\$ 4,605,000		\$ 4,605,000
U.S. government securities	\$ 8,591,000	3,872,000		12,463,000
Money market funds	638,000			638,000
	<u>\$ 9,229,000</u>	<u>\$ 8,477,000</u>	<u>\$ 0</u>	<u>\$ 17,706,000</u>
Deposits with Trustees:				
Corporate bonds and notes		\$ 10,930,000		\$ 10,930,000
U.S. government securities		136,833,000		136,833,000
Money market funds	\$ 90,024,000			90,024,000
	<u>\$ 90,024,000</u>	<u>\$ 147,763,000</u>	<u>\$ 0</u>	<u>\$ 237,787,000</u>
Funds held in trust with others:				
Corporate bonds and notes		\$ 8,710,000		\$ 8,710,000
U.S. government securities	\$ 1,884,000	5,395,000		7,279,000
Money market funds	2,987,000			2,987,000
Equity funds and securities	35,117,000			35,117,000
Other		873,000	\$ 1,952,000	2,825,000
	<u>\$ 39,988,000</u>	<u>\$ 14,978,000</u>	<u>\$ 1,952,000</u>	<u>\$ 56,918,000</u>
Pension Plans:				
Corporate bonds and notes	\$ 10,610,000			\$ 10,610,000
U.S. government securities	21,595,000	\$ 20,441,000		42,036,000
Money market funds	4,333,000			4,333,000
Equity funds and securities	50,895,000	25,957,000		76,852,000
	<u>\$ 87,433,000</u>	<u>\$ 46,398,000</u>	<u>\$ 0</u>	<u>\$ 133,831,000</u>
Postretirement Plans:				
U.S. government securities	\$ 37,333,000	\$ 38,751,000		\$ 76,084,000
Money market funds	8,078,000			8,078,000
Equity funds and securities	104,922,000			104,922,000
Contribution receivable	2,910,000			2,910,000
	<u>\$ 153,243,000</u>	<u>\$ 38,751,000</u>	<u>\$ 0</u>	<u>\$ 191,994,000</u>

The University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within the fair value hierarchy as a result of changes in, among other things, inputs used, liquidity, or valuation methodologies. During 2011, the University identified certain assets held in fixed income index funds that were more appropriately classified as level 1 in the fair value hierarchy. On June 30, 2011, the University transferred these assets totaling \$131,259,000, from level 2 to level 1. Also during 2011, the University identified certain assets held in debt and equity index funds that were more appropriately classified as level 2 in the fair value hierarchy. On June 30, 2011, the University transferred these assets totaling \$198,577,000, from level 1 to level 2. During 2011, as a result of obtaining additional information regarding the liquidity of certain investment funds, the amounts were transferred between level 2 and level 3 of the fair value hierarchy (see level 3 activity below). The University's policy is to recognize transfers at the end of the year.

Note H. Fair Value Measurements (continued)

Detailed information of the fair value of assets within level 2 and level 3, valued using net asset value or its equivalent is as follows:

	June 30, 2011	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (a)	\$ 30,294,000		Quarterly/Tri-annual	45-100 days
Distressed debt hedge funds (b)	2,928,000		Quarterly*/Annual	65-90 days
Long/Short hedge funds (c)	3,643,000		Annual	10 days
Private equity funds (d)	2,202,000	\$ 155,000	Quarterly**	90 days
Stock funds (e)	8,103,000		Monthly *	
Global/Macro hedge funds (f)	5,681,000		Monthly/Qtrly *	10-90 days
Real asset fund (g)	8,085,000	626,000	Quarterly***	90-95 days
	<u>\$ 60,936,000</u>	<u>\$ 781,000</u>		

	June 30, 2010	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (a)	\$ 24,793,000		Quarterly /Tri-annual	45-100 days
Distressed debt hedge funds (b)	3,924,000		Quarterly */Annual	65-90 days
Long/Short hedge funds (c)	5,357,000		Tri-annual	10 days
Private equity funds (d)	2,965,000	\$ 1,793,000	Quarterly**	90 days
Stock funds (e)	4,764,000		Monthly *	
Global/Macro hedge funds (f)	5,845,000		Monthly/Qtrly *	10-90 days
Real asset fund (g)	898,000	931,000	Quarterly	90 days
	<u>\$ 48,546,000</u>	<u>\$ 2,724,000</u>		

* Redemption is at the discretion of the fund manager

** Redemption frequency is subject to lockout periods as shown in item (d)

*** Redemption frequency is subject to lockout periods as shown in item (g)

- (a) This category includes investments in hedge funds that use a variety of strategies. These may include long/short equity, event-driven, capital structure arbitrage, fixed income arbitrage, credit of distressed companies, and restructuring and underpriced companies. In 2011 and 2010, investments representing approximately 49 percent and 58 percent, respectively, of the value of the investments in this category cannot be redeemed because the investments include restrictions that do not allow for redemption in the first three years. The remaining restriction period for these investments ranged from three to twelve months.
- (b) This category includes investments in hedge funds that invest in debt obligations of distressed companies at a discount and sell the obligations following reorganization or restructuring of the companies.
- (c) This category includes investments in hedge funds that invest with managers or private investment funds that take short positions and long positions in equity securities and use leverage to augment the effects of stock selection. Investments in this category can be redeemed annually.
- (d) This category includes investments in private equity partnerships whose strategy is to add 5% in value comparable public investments and that will be in the top 25% of comparable private equity managers. Investments in this category cannot be redeemed until November 2020 subject to two one year extensions.
- (e) This category includes investments (typically through traditional, long-only stock managers) that maintain (beta) exposure to stocks and achieve (alpha) value added of at least 2% per year over a passive portfolio.
- (f) This category includes investments in a broad diversity of asset classes and geographic markets. They may invest in the equity, global fixed income, currency and commodity sectors.
- (g) This category includes investments that maintain exposure to real estate and natural resources through public and private investments whose value is strongly controlled by commodities and real estate and may act as a hedge against unanticipated inflation. In 2011 and 2010, investments representing approximately 15 percent and 94 percent, respectively, of the value of the investments in this category cannot be redeemed until the termination of the funds. These termination dates range from January 2013 to December 2015. The remaining restriction period for these investments ranged from 90 to 95 days.

Note H. Fair Value Measurements (continued)

The following table is a roll forward of the balance sheet amounts for financial instruments measured at fair value on a recurring basis and classified by the University within Level 3 of the valuation hierarchy defined above:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Beginning Balance	\$ 48,546,000	\$ 44,166,000
Purchases		1,262,000
Withdrawals	(1,527,000)	(3,772,000)
Investment income/(loss)		3,264,000
Realized and unrealized gains/(losses), net	5,204,000	3,626,000
Transfers into level 3	1,880,000	
Transfers out of level 3	(6,465,000)	
Ending Balance	<u>\$ 47,638,000</u>	<u>\$ 48,546,000</u>

The fair values of Level 3 investments have been estimated using a net asset value equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable).

Note I. Endowments

In accordance with Pennsylvania state law, unless otherwise specifically directed in the trust instrument, the University has adopted an investment policy seeking a total return for donor and board designated endowment assets. As such, the return is derived from capital appreciation, earnings or distributions with respect to capital or both. Annually, the board selects a percentage that is consistent with the long term preservation of the real value of the assets, but in no event shall the percentage be less than 2% nor more than 7% per year. The amount realized from the spending rule distribution is available in accordance with the donor or board designation. The adopted spending rule for 2011 and 2010 is 4.5% (Note A).

The University recognizes the original donor corpus and all explicit additions as permanently restricted net assets and the excess or shortfall of the spending rule as temporarily restricted net assets. Occasionally due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. The aggregate amounts of deficiencies reported in unrestricted net assets were \$324,000 and \$6,170,000 at June 30, 2011 and 2010, respectively. Subsequent investment gains will be used to restore the balances to the fair value of the original amount of the gift. Board designated endowment assets and the excess or shortfall of the spending rule on these assets are recognized in unrestricted net assets.

The University's endowment balances by net asset classification and the changes in endowment assets are as follows:

<u>June 30, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (324,000)	\$ 51,296,000	\$ 213,107,000	\$ 264,079,000
Board-designated endowment funds	56,750,000			56,750,000
	<u>\$ 56,426,000</u>	<u>\$ 51,296,000</u>	<u>\$ 213,107,000</u>	<u>\$ 320,829,000</u>
<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (6,170,000)	\$ 31,562,000	\$ 200,489,000	\$ 225,881,000
Board-designated endowment funds	48,020,000			48,020,000
	<u>\$ 41,850,000</u>	<u>\$ 31,562,000</u>	<u>\$ 200,489,000</u>	<u>\$ 273,901,000</u>

Note I. Endowments (continued)

<u>June 30, 2011</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 41,850,000	\$ 31,562,000	\$ 200,489,000	\$ 273,901,000
Investment return:				
Investment income	13,000	4,069,000	426,000	4,508,000
Net realized and unrealized appreciation	<u>14,320,000</u>	<u>24,008,000</u>	<u>3,047,000</u>	<u>41,375,000</u>
Total investment return	14,333,000	28,077,000	3,473,000	45,883,000
Contributions	1,643,000	335,000	9,145,000	11,123,000
Appropriation of endowment assets for expenditure (spending rule)	(1,400,000)	(8,678,000)		(10,078,000)
Endowment net assets, end of the year	<u>\$ 56,426,000</u>	<u>\$ 51,296,000</u>	<u>\$ 213,107,000</u>	<u>\$ 320,829,000</u>
<u>June 30, 2010</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 33,434,000	\$ 25,604,000	\$ 184,517,000	\$ 243,555,000
Investment return:				
Investment income	13,000	4,335,000	54,000	4,402,000
Net realized and unrealized appreciation	<u>9,028,000</u>	<u>9,724,000</u>	<u>1,321,000</u>	<u>20,073,000</u>
Total investment return	9,041,000	14,059,000	1,375,000	24,475,000
Contributions	743,000	466,000	14,597,000	15,806,000
Appropriation of endowment assets for expenditure (spending rule)	(1,368,000)	(8,567,000)		(9,935,000)
Endowment net assets, end of the year	<u>\$ 41,850,000</u>	<u>\$ 31,562,000</u>	<u>\$ 200,489,000</u>	<u>\$ 273,901,000</u>

Note J. Professional Liability Insurance

The University purchases primary, commercial claims-made insurance coverage for professional liability claims from a commercial insurer, which in turn reinsures all of the risk with GSIC and TUHIC, wholly owned captive insurance companies domiciled in Bermuda. The carrying amounts of accrued asserted and unasserted actuarially determined professional liability claims, discounted at 1.50% and 2.00%, were \$210,608,000 and \$197,815,000 as of June 30, 2011 and 2010, respectively. These amounts are included in accounts payable and accrued expenses in the University's balance sheets. The University also participates in the Commonwealth of Pennsylvania Medical Care Availability and Reduction of Error (MCare) Fund established under Act 111 and subsequently modified under Act 135, and maintains excess liability coverage through a commercial insurance carrier.

Note K. Commitments and Contingencies

The nature of the educational and health care industries is such that, from time to time, claims will be presented against the University on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and health care services at a large institution.

Note L. Discontinued Operations

GPHSC III ceased operations in 2003. The liabilities of GPHSC III are included in the consolidated financial statements for 2010 at their estimated net realizable value of \$4,684,000. On June 29, 2011, GPHSC III was dissolved and the liabilities were liquidated.

Note M. Subsequent Events

The University has evaluated subsequent events through October 24, 2011 and has determined that there are no subsequent events requiring adjustment to or disclosure in the consolidated financial statements.

Note N. Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Unrestricted net assets	<u>\$ 1,475,660,000</u>	<u>\$ 1,290,619,000</u>
Temporarily restricted net assets		
Contributions and endowment income for instruction, research and support	\$ 65,059,000	\$ 44,303,000
Term endowments and life income funds	15,183,000	13,636,000
Contributions for property, plant and equipment	6,385,000	6,336,000
	<u>\$ 86,627,000</u>	<u>\$ 64,275,000</u>
Permanently restricted net assets		
Corpus of contributions for endowments	\$ 234,590,000	\$ 219,076,000
Corpus of contributions for student loans	207,000	203,000
Beneficial interest in Episcopal Healthcare Foundation	19,170,000	16,310,000
	<u>\$ 253,967,000</u>	<u>\$ 235,589,000</u>
Total net assets	<u>\$ 1,816,254,000</u>	<u>\$ 1,590,483,000</u>

The Episcopal Healthcare Foundation (the Foundation) controls certain investments that, according to its organizational structure, are held for the benefit of TUH's Episcopal campus operations. TUH has recognized the present value of future cash flows from the Foundation as an asset, (funds held in trust by others) and permanently restricted net assets of \$19,170,000 and \$16,310,000 at June 30, 2011 and 2010, respectively.

The following schedules reflect the changes in unrestricted net assets for TU and its subsidiaries. The columnar classification reflects the various budgetary categories and operations of the University. Clinical Faculty Practice Plans include TUP and certain School of Dentistry clinical activities. Other long-term net assets include the net book value of property, plant and equipment and net assets set aside to retire debt and University matching of federal loan programs, net of the effect of the unfunded liability for pensions and postretirement benefits.

Unrestricted Net Assets
For the Year Ended June 30, 2011
(thousands of dollars)

	Unrestricted Net Assets										
	Temple University Health System Inc. (1)	Temple Educational Support Services (2)	University						Consolidating Eliminations (10)	Total Unrestricted Net Assets (11)	
			Clinical Faculty Practice Plans (3)	Educational and General (4)	Quasi - Endowment (5)	Externally Sponsored Activities (6)	Unexpended Capital (7)	Other Long-term (8)			Total University (9)
Revenues:											
Tuition and fees (net of discounts of \$79,904)		\$27,986		\$550,835					\$550,835	(\$1,200)	\$577,621
Commonwealth of Pennsylvania appropriation				164,974					164,974		164,974
Grants and contracts				29,234		\$114,495			143,729		143,729
Contributions for operations and endowments					\$1,656	14,061			15,717		15,717
Investment return	\$12,473		\$10	13,455		10,556	\$6,540	(\$1,959)	28,602		41,075
Sales of educational activities				7,327					7,327		7,327
Auxiliary enterprises				79,109			500		79,609		79,609
Patient care activities	967,083		159,755	2,673					162,428		1,129,511
Other sources	24,744			9,779		1,353	707		11,839	(\$3,333)	33,250
Net assets released from restrictions	1,823					10,809			10,809		12,632
Total revenues	1,006,123	27,986	159,765	857,386	1,656	151,274	7,747	(1,959)	1,175,869	(4,533)	2,205,445
Expenses:											
Educational and general		28,118		657,717		115,865	4,951	63,228	841,761	(1,200)	868,679
Auxiliary enterprises				72,835		245	486	19,507	93,073		93,073
Patient care activities	993,968		168,004	5,223				147	173,374	(3,299)	1,164,043
Total expenses	993,968	28,118	168,004	735,775	0	116,110	5,437	82,882	1,108,208	(4,499)	2,125,795
Transfers:											
Property, plant and equipment (PP&E) acquisitions				(12,457)		(10,675)	(60,644)	83,776			
Retirement of indebtedness				(22,195)			177	22,018			
Capital replacement and expansion			25	(88,751)		(317)	89,043				
Other transfers			4,491	16,189		(19,568)	(5,079)	3,967			
Total transfers	0	0	4,516	(107,214)	0	(30,560)	23,497	109,761	0	0	0
Excess / (deficit) of revenues over expenses	12,155	(132)	(3,723)	14,397	1,656	4,604	25,807	24,920	67,661	(34)	79,650
Other changes in net assets:											
Investment return	7,848			7,838	7,075	8	(5,648)	(1,430)	7,843		15,691
Commonwealth grants for PP&E							5,845		5,845		5,845
Contributions for PP&E							307	725	1,032		1,032
Gain / (loss) on disposal of PP&E	252	(2)						(1,556)	(1,556)		(1,306)
TUHS gain from discontinued operations, net	4,684								0		4,684
Actuarial change in accrued pensions and postretirement	28,539							46,578	46,578		75,117
Transfer from TUHS	(14,589)		1,419	13,136					14,555	34	
Other		27									27
Net assets released from restrictions for PP&E	2,069						(736)	2,968	2,232		4,301
Total other changes in net assets	28,803	25	1,419	20,974	7,075	8	(232)	47,285	76,529	34	105,391
Increase / (decrease) in net assets	40,958	(107)	(2,304)	35,371	8,731	4,612	25,575	72,205	144,190	0	185,041
Net assets July 1, 2010	182,532	(3,675)	16,060	195,013	48,020	54,720	165,721	632,228	1,111,762	0	1,290,619
Net assets June 30, 2011	\$223,490	(\$3,782)	\$13,756	\$230,384	\$56,751	\$59,332	\$191,296	\$704,433	\$1,255,952	\$0	\$1,475,660

Unrestricted Net Assets
For the Year Ended June 30, 2010
(thousands of dollars)

	Unrestricted Net Assets										
	Temple University Health System Inc. (1)	Temple Educational Support Services (2)	University						Total University (9)	Consolidating Eliminations (10)	Total Unrestricted Net Assets (11)
			Clinical Faculty Practice Plans (3)	Education and General (4)	Quasi - Endowment (5)	Externally Sponsored Activities (6)	Unexpended Capital (7)	Other Long-term (8)			
Revenues:											
Tuition and fees (net of discounts of \$75,983)		\$26,013		\$512,699				\$512,699		(\$1,000)	\$537,712
Commonwealth of Pennsylvania appropriation				164,974				164,974			164,974
Grants and contracts				26,109		\$112,281		138,390			138,390
Contributions for operations and endowments				796	\$754	13,055		14,605			14,605
Investment return	\$20,572		\$17	15,637		10,348		\$2,504	\$2,551		31,057
Sales of educational activities				6,500				6,500			6,500
Auxiliary enterprises				76,908				500			77,408
Patient care activities	928,900		152,451	3,203				155,654			1,084,554
Other sources	23,503			7,358		1,054		525	572		9,509
Net assets released from restrictions	822					10,351		10,351		(3,185)	29,827
Total revenues	973,797	26,013	152,468	814,184	754	147,089	3,529	3,123	1,121,147	(4,185)	2,116,772
Expenses:											
Educational and general		24,960		623,177		109,906	7,863	61,612	802,558	(1,000)	826,518
Auxiliary enterprises				68,371		334	836	19,142	88,683		88,683
Patient care activities	989,313		164,418	4,781				150	169,349	(4,647)	1,154,015
Total expenses	989,313	24,960	164,418	696,329	0	110,240	8,699	80,904	1,060,590	(5,647)	2,069,216
Transfers:											
Property, plant and equipment (PP&E) acquisitions			(1,581)	(12,636)		(2,379)	(52,718)	69,314			
Retirement of indebtedness				(22,766)			(98)	22,864			
Capital replacement and expansion			(2)	(111,769)		(24)	111,795				
Other transfers			7,193	19,221		(30,100)	909	2,777			
Total transfers	0	0	5,610	(127,950)	0	(32,503)	59,888	94,955	0	0	0
(Deficit) / excess of revenues over expenses	(15,516)	1,053	(6,340)	(10,095)	754	4,346	54,718	17,174	60,557	1,462	47,556
Other changes in net assets:											
Investment return	(4,561)		2,800	11,948	3,096		(1,356)	5,261	21,749		17,188
Commonwealth grants for PP&E							11,727		11,727		11,727
Contributions for PP&E							3,665	7,849	11,514		11,514
Gain / (loss) on disposal of PP&E	760	(4)	(81)				12	(4,259)	(4,328)		(3,572)
Loss on extinguishment of debt								(299)	(299)		(299)
Actuarial change in accrued pensions and postretirement	(26,536)			(3)				(10,606)	(10,609)	(251)	(37,396)
Transfer from TUHS	(14,275)		1,553	13,542					15,095	(820)	
Currency translation adjustment		(589)									(589)
Net assets released from restrictions for PP&E	249						5,250		5,250		5,499
Total other changes in net assets	(44,363)	(593)	4,272	25,487	3,096	0	19,298	(2,054)	50,099	(1,071)	4,072
(Decrease) / increase in net assets	(59,879)	460	(2,068)	15,392	3,850	4,346	74,016	15,120	110,656	391	51,628
Net assets July 1, 2009	242,411	(4,135)	18,128	179,621	44,170	50,374	91,705	617,108	1,001,106	(391)	1,238,991
Net assets June 30, 2010	\$182,532	(\$3,675)	\$16,060	\$195,013	\$48,020	\$54,720	\$165,721	\$632,228	\$1,111,762	\$0	\$1,290,619

**Temple University and
Subsidiary Organizations
As of June 30, 2011**

The following lists the University and its subsidiary organizations included in the consolidated financial statements and their tax-exempt status. Unless otherwise indicated, all exempt organizations are such under the Internal Revenue Code Section 501(c)(3).

Temple University - Of The Commonwealth System of Higher Education (TU), exempt
Good Samaritan Insurance Co., Ltd. (GSIC), non-exempt (Bermuda)
Temple Educational Support Services, Ltd. (TESS), non-exempt (Japan)
Temple University School of Podiatric Medicine, Inc. (TUSPMI), exempt
Temple University Physicians and Surgeons, Inc., exempt (inactive)
TUMP Offices, Inc., exempt 501(c)(2)
Temple Corporation, non-exempt (inactive)
VT Holdings, Inc., non-exempt (inactive)
 Virtual Temple, Inc., non-exempt (inactive)
Global Technology Management Corp., non-exempt (inactive)

Temple University Health System, Inc. (TUHS), exempt
 Temple University Hospital, Inc. (TUH), exempt
 Temple University Health System Foundation (TUHSF), exempt
Temple Physicians, Inc. (TPI), exempt
 Temple Professional Associates (“TPA”), exempt
Temple East, Inc. (TE), exempt (doing business as
 Northeastern Ambulatory Care Center (“NACC”))
 Temple East Real Estate, Inc. (TERE), exempt
Jeanes Hospital (JH), exempt
Episcopal Hospital (EH), exempt
 Episcopal Long Term Care, exempt
Greater Philadelphia Health Services III Corporation (GPHSC III), exempt,
 (dissolved July 2011)
TUHS Insurance Co., Ltd. (TUHIC), non-exempt (Bermuda)
Temple Health System Transport Team, Inc. (T3), exempt