



Office of Internal Audit

834 Chestnut Street, Suite 450
Philadelphia, PA 19107

September 25, 2020

Federal Audit Clearinghouse

To Whom it May Concern:

Enclosed is the submission of the Thomas Jefferson University (“TJU” or the “University”) Uniform Guidance audit for the year ended June 30, 2019, which was due on March 30, 2020. We are submitting our report on September 25 2020, due to the impact of COVID-19 on the University, as allowed under the flexibilities within OMB memorandum M-20-26, which extended the submission of the Single Audit reporting package up to six months beyond the normal due date for entities with normal filing dates between March 30, 2020 through June 30, 2020.

Very truly yours,

A handwritten signature in dark ink that reads 'Christina Magasko'.

Christina Magasko, CPA
Associate Vice President for Internal Audit
Thomas Jefferson University

Thomas Jefferson University

**Reports on Federal Awards in
Accordance with OMB Uniform Guidance**

June 30, 2019

Federal Identification Number 23-1352651

Thomas Jefferson University
Reports on Federal Awards
in Accordance with OMB Uniform Guidance
Index
June 30, 2019

	Page(s)
I. FINANCIAL STATEMENTS	
Report of Independent Auditors	i-ii
Financial Statements and Notes to the Financial Statements	2-43
Schedule of Expenditures of Federal Awards.....	44-52
Notes to Schedule of Expenditures of Federal Awards	53-54
II. REPORTS ON INTERNAL CONTROLS AND COMPLIANCE	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance	57-58
III. FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	59-63
Summary Schedule of Prior Audit Findings.....	64
Management’s Views and Corrective Action Plan.....	65-66
IV. SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Commonwealth of Pennsylvania Awards	67
Schedule of Expenditures of State of New Jersey Awards	68



Report of Independent Auditors

To the Board of Trustees
Thomas Jefferson University:

We have audited the accompanying consolidated financial statements of Thomas Jefferson University and its subsidiaries (the "University"), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Thomas Jefferson University and its subsidiaries as of June 30, 2019 and 2018, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the University changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity. Our opinion is not modified with respect to this matter.



Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2019 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the Schedule of Expenditures of Federal Awards Supplementary Schedules, of the accompanying Consolidated Financial Statements for the year ended June 30, 2019, on pages 65-66 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
October 28, 2019

I. Financial Statements

Thomas Jefferson University
Consolidated Balance Sheets
June 30, 2019 and 2018
(In Thousands)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$247,015	\$277,494
Short-term investments	2,130,332	1,989,119
Accounts receivable	699,742	640,707
Inventory	73,828	69,216
Pledges receivable, current	34,187	28,098
Insurance recoverable, current	32,412	37,023
Assets whose use is limited, current	1,308	374
Other current assets	49,068	56,675
Total current assets	<u>3,267,892</u>	<u>3,098,706</u>
Long-term investments	1,084,937	1,066,372
Assets whose use is limited, noncurrent	578,299	298,212
Assets held by affiliated foundations	43,098	42,583
Pledges receivable, noncurrent	97,846	103,912
Goodwill	162,932	162,932
Insurance recoverable, noncurrent	222,315	201,709
Loans receivable from students, net	23,959	25,113
Land, buildings and equipment, net	2,583,733	2,399,819
Other noncurrent assets	47,722	50,142
Total assets	<u>\$8,112,733</u>	<u>\$7,449,500</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of:		
Long-term obligations	\$34,856	\$30,643
Accrued professional liability claims	78,957	69,999
Accrued workers' compensation claims	14,359	15,229
Deferred revenues	20,906	20,018
Accounts payable and accrued expenses	495,908	417,402
Accrued payroll and related costs	293,683	287,951
Grant and contract advances	16,984	25,731
Total current liabilities	<u>955,653</u>	<u>866,973</u>
Long-term obligations	2,078,232	1,663,191
Accrued pension liability	479,398	348,946
Federal student loan advances	10,410	10,314
Deferred revenues	15,822	13,440
Accrued professional liability claims	399,562	404,539
Accrued workers' compensation claims	15,250	16,751
Interest rate swap contracts	33,975	24,441
Other noncurrent liabilities	20,218	28,474
Total liabilities	<u>4,008,520</u>	<u>3,377,069</u>
Net assets:		
Net assets without donor restriction - Thomas Jefferson University	3,229,958	3,216,997
Noncontrolling interest in joint ventures	76,079	77,232
Total net assets without donor restriction	<u>3,306,037</u>	<u>3,294,229</u>
Net assets with donor restriction	798,176	778,202
Total net assets	<u>4,104,213</u>	<u>4,072,431</u>
Total liabilities and net assets	<u>\$8,112,733</u>	<u>\$7,449,500</u>

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

Thomas Jefferson University
Consolidated Statements of Operations and Changes in Net Assets without Donor Restriction
For the Years Ended June 30, 2019 and 2018
(In Thousands)

	2019	2018
Operating revenues, gains and other support:		
Net patient service revenue	\$4,409,942	\$4,046,715
Grants and contracts	126,854	110,402
Tuition and fees, net	212,494	212,207
Investment income	40,536	30,632
Contributions	4,650	5,511
Sale of controlling interest	58,191	-
Other revenue	314,189	280,681
Net assets released from restrictions	49,372	43,950
Total operating revenues, gains and other support	<u>5,216,228</u>	<u>4,730,098</u>
Operating expenses:		
Salaries and wages	2,332,723	2,154,180
Employee benefits	518,751	507,333
Supplies	859,594	773,976
Purchased services	429,752	471,886
Depreciation and amortization	247,934	237,052
Interest	53,648	46,195
Insurance	80,024	55,312
Utilities	65,816	54,736
Rent	78,998	62,459
Other	497,972	354,862
Total operating expenses	<u>5,165,212</u>	<u>4,717,991</u>
Income from operations	<u>51,016</u>	<u>12,107</u>
Nonoperating items and other changes in net assets without donor restriction, net:		
Return on investments, net of amounts classified as operating revenue	108,347	110,835
Interest rate swap contracts	(11,867)	3,312
Reclassification of net assets	40	1,043
Contributions and government grants for capital projects	1,531	1,096
Net assets released from restrictions used for purchase of property and equipment	26,989	6,987
(Increase) Decrease in pension liability	(153,035)	146,483
Distributions to noncontrolling interest	(10,923)	(9,400)
Loss on defeasance of debt	-	(14,803)
Other	(290)	57
Contribution received in business combination	-	654,150
(Decrease) Increase in nonoperating items and other changes in net assets without donor restriction	<u>(39,208)</u>	<u>899,760</u>
Increase in net assets without donor restriction	<u>\$11,808</u>	<u>\$911,867</u>

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

Thomas Jefferson University
Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2019 and 2018
(In Thousands)

	2019	2018
Net assets without donor restriction:		
Revenues, gains and other support	\$5,216,228	\$4,730,098
Expenses	(5,165,212)	(4,717,991)
Nonoperating items and other changes in net assets without donor restriction, net	<u>(39,208)</u>	<u>899,760</u>
Increase in net assets without donor restriction	<u>11,808</u>	<u>911,867</u>
Net assets with donor restriction:		
Contributions	74,367	49,374
Gain on investments, net	15,810	18,345
Net (loss) gain on externally held trusts	(184)	1,845
Investment income	5,625	4,965
Net assets released from restrictions	(76,361)	(50,937)
Changes in net assets held by affiliated foundations	515	49
Change in value of split interest agreements	242	437
Reclassification of net assets	(40)	(1,043)
Contribution received in business combination	<u>-</u>	<u>106,071</u>
Increase in net assets with donor restriction	<u>19,974</u>	<u>129,106</u>
Increase in net assets	31,782	1,040,973
Net assets, beginning of year	<u>4,072,431</u>	<u>3,031,458</u>
Net assets, end of year	<u><u>\$4,104,213</u></u>	<u><u>\$4,072,431</u></u>

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

Thomas Jefferson University
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(In Thousands)

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$31,782	\$1,040,973
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions received in acquisitions	-	(760,221)
Increase (Decrease) in pension liability	153,035	(146,483)
Depreciation and amortization	248,736	237,740
Bond premium amortization	(5,375)	(3,384)
Assets held by affiliated foundation	(515)	(49)
Gain on investments, net	(160,955)	(153,087)
Recognition of vesting in Premier stock	(5,621)	(3,952)
Net loss (gain) on interest rate swap contracts	9,534	(6,036)
Distribution to noncontrolling interest	10,923	9,400
Loss on defeasance of debt	-	14,803
Sale of controlling interest	(58,191)	-
Contributions and government grants designated for acquisition of long-term assets	(16,243)	(18,644)
Net change due to:		
Accounts receivable	(56,198)	(49,203)
Pledges receivable	(23)	11,801
Inventory	(4,612)	(3,504)
Other current and noncurrent assets	9,533	2,172
Accounts payable and accrued expenses	78,506	63,731
Accrued payroll and related costs	5,732	29,033
Grant and contract advances	(8,747)	6,068
Deferred revenues	3,262	6,574
Accrued pension liability	(22,583)	(9,923)
Insurance recoverable	(15,995)	(20,666)
Accrued professional liability claims	3,981	(29,717)
Accrued workers' compensation claims	(2,371)	(3,571)
Dividends received from joint ventures	15,197	32,100
Other current and noncurrent liabilities	(8,327)	(446)
Net cash provided by operating activities	<u>204,465</u>	<u>245,509</u>
Cash flows from investing activities:		
Assets whose use is limited increase	(442,671)	(642,421)
Assets whose use is limited decrease	161,650	413,527
Cash acquired in acquisitions	-	109,831
Sale of controlling interest	40,363	-
Purchase of land, buildings and equipment	(428,628)	(283,415)
Purchases of investments	(3,743,315)	(8,811,534)
Sales of investments	3,750,287	8,717,823
Student loans issued	(3,654)	(3,742)
Student loans repaid	4,808	6,023
Net cash used in investing activities	<u>(661,160)</u>	<u>(493,908)</u>
Cash flows from financing activities:		
Distribution to noncontrolling interest	(10,923)	(9,400)
Contributions and government grants designated for acquisition of long-term assets	16,243	18,644
Federal student loan advances	96	(847)
Deferred financing fees	(4,275)	(5,995)
Proceeds from long-term obligations	497,019	872,962
Repayment of long-term obligations	(71,944)	(609,269)
Net cash provided by financing activities	<u>426,216</u>	<u>266,095</u>
Net (decrease) increase in cash and cash equivalents	(30,479)	17,696
Cash and cash equivalents at beginning of period	<u>277,494</u>	<u>259,798</u>
Cash and cash equivalents at end of period	<u>\$247,015</u>	<u>\$277,494</u>
Supplemental disclosures:		
Interest paid (net of amount capitalized)	\$59,110	\$50,516
Accounts payable related to buildings and equipment	\$48,749	\$58,041

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

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements represent the consolidated financial position, changes in net assets and cash flows of Thomas Jefferson University (“TJU”), TJUH System (“TJUHS”), Abington Health (“Abington”), Aria Health System (“Aria”), Philadelphia University, Kennedy Health System (“Kennedy”) and Magee Rehabilitation Hospital (“Magee”).

Thomas Jefferson University is an independent, non-profit corporation organized under the laws of the Commonwealth of Pennsylvania and recognized as a tax-exempt organization pursuant to Section 501(c) (3) of the Internal Revenue Code. Thomas Jefferson University has a tripartite mission of education, research and patient care. Thomas Jefferson University conducts research and offers undergraduate and graduate instruction through the Sidney Kimmel Medical College, the Jefferson College of Nursing, the Jefferson College of Pharmacy, the Jefferson College of Health Professions, the Jefferson College of Population Health, the Jefferson College of Biomedical Sciences, the Jefferson College of Rehabilitation Sciences, the Kanbar College of Design, Engineering and Commerce, the School of Continuing and Professional Studies, the College of Architecture and the Built Environment, and the College of Science, Health and the Liberal Arts. The combined institution has approximately 6,800 students and is located in Philadelphia, Pennsylvania, with additional campus locations in the Greater Philadelphia Region and Atlantic City, New Jersey.

TJUHS, Abington, Aria, Kennedy and Magee are integrated healthcare organizations that provide inpatient, outpatient and emergency care services through acute care, ambulatory care, rehabilitation care, physician and other primary care services for residents of the Greater Philadelphia Region. TJU is the sole corporate member of TJUHS, Abington, Aria, Kennedy and Magee.

TJU includes the accounts of subsidiaries of Thomas Jefferson University including 1100 Walnut Associates; 925 Walnut Corporation; and the accounts of subsidiaries of TJUHS, including Thomas Jefferson University Hospitals, Inc. (“TJUH”); Jefferson University Physicians (“JUP”); Jefferson Physician Services; the Atrium Corporation; Jeffex, Inc.; Methodist Associates in Healthcare, Inc.; JeffCare, Inc.; JeffCare Alliance, LLC; Jefferson University Radiology Associates (“JURA”, an 80% owned joint venture); Jefferson Comprehensive Concussion Center (“JCCC”, a 66% owned joint venture); the Riverview Surgery Center at the Navy Yard, LP (“Riverview”, a 51% owned joint venture); Rothman Orthopaedic Specialty Hospital, LLC (“ROSH”, a 54% owned joint venture); and the accounts of subsidiaries of Abington including Abington Memorial Hospital; Lansdale Hospital Corporation; and Abington Health Foundation; and the accounts of subsidiaries of Aria including Aria Health; Aria Physician Services; Aria Health Orthopaedics; System Service Corporation; Aria IPE, LLC; Medical Imaging Associates (an 83% owned joint venture); T.F. Development, Inc.; Health Care, Inc.; TMB Enterprises and Jefferson Health – Northeast Foundation; and the accounts of Philadelphia University; and the accounts of subsidiaries of

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Kennedy including Kennedy University Hospital, Inc.; Kennedy Health Care Foundation; STAT Medical Transport, Inc.; Kennedy Property Corporation; Kennedy Health Facilities, Inc.; Kennedy Medical Group Practice PC, d/b/a Kennedy Health Alliance; Kennedy Management Group, Inc.; Professional Medical Management Group, Inc.; and Garden State Radiology Network, LLC (“Garden State Radiology”, a 51% owned joint venture); and the accounts of Magee.

Subsequent Events

TJU has performed an evaluation of subsequent events through October 28, 2019, which is the date the financial statements were issued.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TJU and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for Profit Entities, which eliminates the requirement for not-for-profits (NFPs) to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs are required to classify net assets as net assets with donor restrictions or without donor restrictions. Among other things, the guidance also modifies required disclosures and reporting related to net assets, investment expenses and qualitative information regarding liquidity. NFPs are also required to report all expenses by both functional and natural classification in one location. The provisions of ASU 2016-14 are effective for the Institution for annual periods beginning after December 15, 2017 and interim periods thereafter. As such, the Institution adopted ASU 2016-14 for the year ended December 31, 2018. The effects of the adoption of ASU 2016-14 were applied retrospectively. As a result of the adoption of ASU 2016-14, the net asset categories have been updated as described above. Additionally, the addition of quantitative and qualitative disclosures related to the analysis of expenses by both natural and functional classifications and liquidity and availability of resources can be found in Notes 4 and 14. The adoption of ASU 2016-14 had no impact on the total net assets previously reported by the Institution as of December 31, 2017.

TJU classifies net assets as follows:

Net Assets without Donor Restrictions are those assets that are not subject to donor-imposed restrictions and may be expended for any purpose in fulfilling the mission of TJU. These net assets may be used at the discretion of TJU’s management and the Board of Trustees.

Net Assets with Donor Restrictions are those assets whose use by TJU has been limited by donors to a specific time period or purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TJU and/or the passage of time. Other donor

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

restrictions are perpetual in nature, where the funds are to be maintained in perpetuity by TJU, per the stipulation of the donor.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restriction in the consolidated statements of operations and changes in net assets.

TJU's measure of operations in the consolidated statements of operations and changes in net assets includes revenues from patient services, grants and contracts, tuition and fees, unrestricted contributions, net assets released from restriction, distribution of investment returns based on TJU's spending policy and other sources.

TJU's non-operating activity within the consolidated statement of operations includes investment returns and other activities related to endowment, long-term benefit plan obligation funding changes, student loan net assets and contributions related to land, buildings and equipment that are not part of the university's operating activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the financial statements including, but not limited to, recognition of net patient service revenue, which includes implicit price concessions; recognition of estimates for healthcare professional and general liabilities; determination of fair values of certain financial instruments; and assumptions for measurement of pension obligations. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments in highly liquid debt instruments with maturity of three months or less when purchased and are carried at cost, which approximates fair value, except that any such investments purchased with funds on deposit with bond trustees are classified as assets whose use is limited or by investment managers of TJU's short-term or long-term investment funds are classified as investments.

Short-term investments

Investments classified as short-term investments are available to fund current operations as needed and exclude quasi-endowment funds, donor restricted endowment funds (including beneficial interests in perpetual trusts administered by third parties), investments held under split-interest agreements and investments subject to the equity method.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Charitable Medical Care Provided

TJU provides medically necessary services to all patients regardless of their ability to pay. Some patients qualify for charity care based on policies established by TJU and are therefore not responsible for payment for all or a part of their healthcare services. These policies allow for the provision of free or discounted care in circumstances where requiring payment would impose financial hardship on the patient. Charges for services rendered to patients who meet TJU's guidelines for charity care are not separately recorded in the accompanying consolidated financial statements.

TJU maintains records to identify and monitor the level of charity care provided. These records include the amount of charges foregone for services and supplies furnished. Such amounts have been excluded from net patient service revenue. Management estimates that the cost of charity care provided by TJU was \$59.3 million and \$36.9 million for the years ended June 30, 2019 and 2018, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the TJU total expenses divided by gross charges.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which TJU expects to be entitled in exchange for providing patient care.

TJU determines the transaction price based on gross charges for services provided, less contractual adjustments provided to third-party payers based upon agreements, discounts provided to uninsured patients pursuant to TJU's policies, and implicit price concessions provided to uninsured patients and patients with insurance that are responsible for co-pay and/or deductible amounts. TJU determines its estimate of implicit price concessions based upon historical collection experience using a portfolio approach as a practical expedient. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of change.

TJU determines performance obligations based upon the nature of the services provided. Net patient service revenue is recognized as performance obligations are satisfied. TJU recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services or patients receiving services in our outpatient centers. TJU measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and TJU does not believe it is required to provide additional goods or services to the patient.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

As substantially all of TJU's patient service performance obligations relate to contracts with a duration of less than one year, TJU has elected to apply the optional practical expedient provided in Accounting Standards Update (ASU) 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks after the end of the reporting period.

Net patient service revenue includes estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 30.0% and 9.0%, respectively, and 33.3% and 8.8%, respectively of net patient service revenue in 2019 and 2018, respectively. Most payments to TJU from the Medicare and Pennsylvania Medicaid programs for inpatient hospital services are made on a prospective basis. Under these programs, payments are made at a pre-determined specific rate for each discharge based on a patient's diagnosis. Additional payments are made to TJU teaching and disproportionate share hospitals, as well as for cases that have unusually high costs. Laws governing the Medicare and Medicaid programs are complex and subject to interpretation. Services billed to the Medicare program are subject to external review for both medical necessity and billing compliance. Medicare cost reports for all years, except 2017, 2018 and 2019 have been audited and final settled as of June 30, 2019. No significant adjustments are expected. In addition, TJU received funds from the Philadelphia Hospital Assessment program and the Medical Assistance Modernization Act-Quality Care Assessment program in the amount of \$135.5 million and \$125.7 million in 2019 and 2018, respectively, and are recorded in net patient service revenue. TJU paid taxes in respect to these programs amounting to \$89.4 million and \$96.1 million in 2019 and 2018, respectively, and are recorded in other operating expenses. Both programs were designed to provide supplemental funding for licensed acute care hospitals with the Philadelphia Hospital Assessment program specifically designated for hospital emergency services.

TJU has also entered into agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to TJU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates and capitated rates. Revenue from Blue Cross and Aetna USHC amounted to 23.0% and 14.2%, respectively, and 21.0% and 11.7%, respectively, of TJU's net patient service revenue in 2019 and 2018, respectively.

Effective July 1, 2018, TJU adopted ASU 2014-09 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to our presentation and disclosure of revenue primarily related to uninsured or underinsured patients. Under ASU 2014-09, the estimated uncollectible amounts due from these patients are generally considered

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

implicit price concessions that are a direct reduction to net patient service revenues. For the years ended June 30, 2019 and 2018, TJU recorded \$142.9 million and \$132.8 million, respectively of implicit price concessions as a direct reduction of net patient service revenues that would have been recorded as provision for bad debts prior to the adoption of ASU 2014-09.

Grants and Contracts

Grants and contracts revenue primarily represents research activity sponsored by governmental and private sources. TJU recognized operating revenues based on direct expenditures and related facilities and administrative cost rate (F&A) as follows for the years ended June 30, 2019 and 2018 (in thousands):

	Direct Expenditures	F&A Cost	2019 Total	2018 Total
Federal agencies	\$56,088	\$22,480	\$78,568	\$74,362
Non-federal agencies	41,246	7,040	48,286	36,040
Total	<u>\$97,334</u>	<u>\$29,520</u>	<u>\$126,854</u>	<u>\$110,402</u>

TJU's primary source of federal sponsored support is the Department of Health and Human Services. Facilities and administrative costs recovered on federally sponsored programs are generally based on predetermined rates negotiated with the Federal Government while recovery on all other sponsored projects is based on rates negotiated with the respective sponsor. 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 TJU.

Tuition and Fees

Tuition and fees revenue is recognized in the fiscal year in which the academic programs are delivered. Tuition and fees received in advance of services to be rendered are reported as deferred revenue on the consolidated balance sheets. TJU provides financial aid to eligible students in the form of institutional scholarships, loans and employment during the academic year. Tuition and fees have been reduced by certain institutional grants and scholarships in the amount of \$61.3 million and \$56.5 million in 2019 and 2018, respectively.

Contributions

Contributions, including unconditional promises to donate cash and other assets, are recognized at fair value on the date of receipt, recognized as revenue in the period received and are reported as increases in the appropriate net asset category based on donor restrictions. Pledges received which are to be paid in future periods, and contributions restricted by the donor for specific purposes are reported as net assets with donor restriction support. When a donor restriction expires, that is, when a time restriction ends or stipulated purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Collections

TJU capitalizes works of art, historical treasures, or similar assets (collectively, Collections). Collections are recorded at fair value at the date of the contribution. Collections of approximately \$5.7 million are included in other noncurrent assets on the consolidated balance sheets at June 30, 2019 and 2018.

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. As a practical expedient, TJU is permitted under the *Fair Value Measurement* standard 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 TJU 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). TJU's investments are 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, 2019 and 2018. TJU performs additional procedures including due diligence reviews on its alternative investments and other procedures with respect to the capital account or NAV provided to ensure conformity and compliance with valuation procedures in place, the ability to redeem at NAV at the TJU measurement date and existence of certain redemption restrictions at the measurement date. TJU reviews the values as provided by the investment managers and believes that the carrying amount of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

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 TJU's endowment funds. The Pennsylvania Act allows a nonprofit to elect to appropriate for expenditure an investment policy that seeks the long-term preservation of the real value of the investments. In accordance with the Pennsylvania Act, the objectives of TJU's investment policy is to provide a level of spendable income which is sufficient to meet the current and future budgetary requirements of TJU and which is consistent with the goal of protecting the purchasing power of the investments. The calculation of the spendable income for endowment funds of TJU is based on 75% of the prior year spendable income and 25% of the calculated two year average of the endowment market value multiplied by 4.75%; the sum of which is adjusted by an inflation factor. The calculation of the spendable income for endowment funds of Abington is based on 5% of the calculated three year average of the endowment market value.

TJU's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. These funds are held in various high-quality

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

financial institutions managed by TJU personnel and outside advisors. TJU maintains its cash and cash equivalents in financial institutions, which at times exceed federally insured limits.

Assets Held by Affiliated Foundations

The Methodist Hospital Foundation (“MHF”) and Magee Rehabilitation Hospital Foundation (“MRHF”) are separate corporations not under the control of TJU. MHF and MRHF accept gifts and bequests and engage in fundraising activities for the benefit of Methodist Hospital and Magee, respectively. The Board of Trustees of MHF and MRHF, at their sole discretion, are authorized to contribute funds to Methodist Hospital and Magee, respectively.

While the sole purpose of MHF and MRHF are to support Methodist Hospital and Magee, this accounting treatment does not imply that MHF and MRHF assets or investment income are those of TJU. The consolidated balance sheets do not reflect or establish the legal relationship, agency or otherwise, between MHF, MRHF and TJU, or any right to assets owned by MHF and MRHF. The by-laws of MHF and MRHF provide that all assets they hold shall not be subject to attachments, execution, or sequestration for any debt, obligation or liability of TJU or any other person or entity. In particular, MHF and MRHF are not party to or obligated by any debt instrument of TJU, and assets owned by MHF and MRHF, are not subject to the lien of any such debt instrument.

Underlying investments held by MHF and MRHF with restrictions benefiting only Methodist Hospital and Magee, respectively, are presented in the consolidated balance sheets as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Methodist Hospital Foundation	\$10,002	\$9,571
Magee Hospital Rehabilitation Foundation	<u>33,096</u>	<u>33,012</u>
Total	<u>\$43,098</u>	<u>\$42,583</u>

Split Interest Agreements

TJU’s split-interest agreements consist of charitable gift annuities, pooled income funds, charitable remainder trusts and charitable lead trusts. Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments. Contribution revenue for pooled income funds is recognized upon establishment of the agreement at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

Loans Receivable from Students

Many students receive financial aid that consists of scholarship grants, work-study opportunities and student loans. TJU participates in various federal revolving loan programs, in addition to administering institutional loan programs. Student loan programs are funded by donor contributions, other institutional sources, and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government’s portion

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

of federal loan programs are ultimately refundable to the federal government and are reported as a liability on TJU's consolidated balance sheets as federal student loan advances. Determination of the fair value of student loans receivable is not practicable.

Student loans receivable, net of allowance for doubtful accounts, consists of the following at June 30, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Direct student loans	\$22,238	\$22,116
Allowance for doubtful accounts	<u>(4,327)</u>	<u>(4,327)</u>
Net	17,911	17,789
Federally-sponsored student loans	<u>6,048</u>	<u>7,324</u>
Total	<u>\$23,959</u>	<u>\$25,113</u>

TJU assesses the adequacy of the allowance for doubtful accounts related to direct student loans receivable by performing evaluations of the student loan portfolio, including a 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 allowance is adjusted based on the results of this analysis. The federally-sponsored student loans receivable represents amounts due from current and former students under various Federal Government loan programs. For direct student loans it is TJU's policy to reserve 100% of a loan when the loan is delinquent 2 years or more; a reserve of 85% is recorded for loans delinquent more than 270 days and less than 2 years. TJU considers the allowance recorded at June 30, 2019 and 2018 to be reasonable and adequate to absorb potential credit losses inherent in the student loan portfolio.

Land, Buildings, and Equipment, net

Land, buildings, and equipment are carried at cost on the date of acquisition or fair value on the date of donation in the case of gifts. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets, excluding land. All gifts of land, buildings, and equipment are recorded as unrestricted non-operating activities unless explicit donor stipulations specify how the donated assets must be used. Interest expense on borrowed funds used for construction, net of interest income earned on unexpended amounts, is capitalized through the completion of construction.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Any excess of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill. The determination of the estimated fair value of net assets acquired requires management's judgment and often involves the use of significant estimates and assumptions. When necessary, TJU consults with external advisors to assist in the determination of fair value.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The change in the carrying amount of goodwill for the year ended June 30, 2019 and 2018 is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Beginning balance:		
Goodwill	\$163,704	\$161,736
Accumulated impairment losses	<u>(772)</u>	<u>(772)</u>
	162,932	160,964
Goodwill acquired	-	1,968
Ending balance:		
Goodwill	163,704	163,704
Accumulated impairment losses	<u>(772)</u>	<u>(772)</u>
	<u>\$162,932</u>	<u>\$162,932</u>

Sale of Controlling Interest

In June 2019, Kennedy University Hospitals, Inc. (KUH) entered into a joint venture with an unrelated entity to provide outpatient renal dialysis services. KUH contributed to the joint venture certain assets used to operate its outpatient renal dialysis programs in exchange for \$43.2 million and a 30% ownership interest. KUH recognized its non-controlling investment in the joint venture at fair value of \$15.3 million and recorded a gain of \$58.2 million.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

New Accounting Standards

The FASB issued an accounting standard update 2016-02, Leases (Topic 842) in February 2016. The update requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting guidance. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. TJU is adopting this guidance effective July 1, 2019 and has elected to implement the modified retrospective method.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires that an employer report the service cost component of pension costs in the same line item as employee compensation costs within operating income. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, and will not be eligible for capitalization. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. TJU is currently evaluating the effect of adoption to the financial statements.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

In November 2016, the FASB issued ASU 2016-18, Restricted Cash, which adds and clarifies guidance in the presentation of the changes in restricted cash on the statement of cash flows and requires restricted cash to be included with cash and cash equivalents in the statement of cash flows. This ASU does not provide a definition of restricted cash. The ASU is effective for TJU beginning July 1, 2020. TJU is currently evaluating the effect of adoption to the financial statements.

2. BUSINESS COMBINATIONS

On September 14, 2018, TJU and Albert Einstein Healthcare Network (“EHN”) entered into a system integration agreement pursuant to which TJU and EHN will combine assets and operations, TJU will become the sole member of EHN, and EHN will designate a number of members to the TJU Board of Trustees, subject to required regulatory consents and approvals and certain conditions precedent (collectively, the “Integration”). TJU can give no assurances as to if or when the Integration will close. TJU hopes to obtain the required regulatory approvals, but cannot predict the timing to receive all such approvals.

On January 5, 2018, pursuant to the terms of an integration agreement, TJU became the sole corporate member of Magee. Magee is a not for profit healthcare organization located in Philadelphia, Pennsylvania. TJU acquired all of the assets and liabilities of Magee and transferred no consideration. The TJU board was reconstituted to include two members designated by Magee. This business combination was accounted for as an acquisition. The acquisition of Magee is intended to expand the continuum of care provided by TJU by enhancing the rehabilitation services provided to patients following discharge from the acute care hospital setting and to enhance the educational and research mission of TJU.

On September 1, 2017, pursuant to the terms of an integration agreement, TJU became the sole corporate member of Kennedy. Kennedy is a not for profit healthcare organization located in New Jersey. TJU acquired all of the assets and liabilities of Kennedy and transferred no consideration. The TJU board was reconstituted to include 10 members designated by Kennedy. This business combination was accounted for as an acquisition. The acquisition of Kennedy is intended to enhance access to high quality, cost effective care to the communities served by both organizations and to enhance the educational and research mission of TJU.

On September 9, 2016, TJU entered into a “University Combination Agreement” (the Agreement) with Philadelphia University, which at the time was an independent, non-profit corporation organized under the laws of the Commonwealth of Pennsylvania and recognized as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, and which operated a coeducational institution. On July 1, 2017 the parties consummated the transaction contemplated by the Agreement, with Philadelphia University amending and restating its Articles of Incorporation to become a membership corporation with TJU as its sole member. Although there remain two non-profit corporations, with TJU as the sole corporate member of Philadelphia University, the July 1, 2017 transaction resulted in the combination of the two postsecondary educational institutions into a single postsecondary education institution operating as Thomas Jefferson University. TJU transferred no consideration and acquired all of

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

the assets and liabilities of Philadelphia University. The TJU board was reconstituted to include 2 members designated by Philadelphia University. This business combination was accounted for as an acquisition. The acquisition of Philadelphia University is intended to enhance the educational and research mission of both organizations.

The following table summarizes the fair value of assets, liabilities and net assets contributed by Magee, Kennedy, and Philadelphia University at the acquisition date (in thousands):

	<u>2018</u>
Cash and cash equivalents	\$109,831
Accounts receivable	93,985
Investments	361,932
Land, buildings and equipment	487,612
Assets held by affiliated foundation	33,411
Other assets	72,841
Total assets acquired	<u>\$1,159,612</u>
Accounts payable and accrued expenses	\$62,217
Accrued payroll and related costs	29,896
Accrued professional liability and workers' compensation claims	20,683
Long-term obligations	218,292
Accrued pension obligation	48,421
Other liabilities	19,882
Total liabilities assumed	399,391
Net assets without donor restriction - Thomas Jefferson University	652,315
Noncontrolling interest in joint ventures	1,835
Total net assets without donor restriction	654,150
Net assets with donor restriction	106,071
Total net assets contributed	<u>760,221</u>
Total net assets and liabilities	<u>\$1,159,612</u>
	<u>2018</u>
Acquisition related costs included in consolidated statements of operations	<u>\$2,294</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

3. NET ASSETS

Net assets consisted of the following at June 30, 2019 and 2018 (in thousands):

Detail of net assets	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating	\$2,865,652	\$174,362	\$3,040,014	\$2,868,029	\$146,656	\$3,014,685
Capital gifts	-	15,721	15,721	-	33,779	33,779
Student loan funds	21,034	22,026	43,060	20,244	20,917	41,161
Endowment funds	419,351	534,826	954,177	405,956	526,941	932,897
Assets held by affiliated foundations	-	43,098	43,098	-	42,583	42,583
Deferred giving	-	8,143	8,143	-	7,326	7,326
Total	\$3,306,037	\$798,176	\$4,104,213	\$3,294,229	\$778,202	\$4,072,431

4. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited presented in the consolidated balance sheets at June 30, 2019 and 2018 consist of the following (in thousands):

	2019	2018
Held by trustee under indenture agreement	\$561,065	\$265,784
Women's Board and Medical Staff funds	1,355	445
Restricted for capital purposes	12,691	27,991
Deferred compensation fund	2,812	4,253
Other	1,684	114
Total	\$579,607	\$298,586
Less current portion	(1,308)	(374)
Noncurrent portion	\$578,299	\$298,212

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

5. INVESTMENTS

Investments are presented in the consolidated balance sheets under the following classifications (in thousands):

	<u>2019</u>	<u>2018</u>
Short-term investments	\$2,130,332	\$1,989,119
Assets whose use is limited, current	1,308	374
Long-term investments	1,084,937	1,066,372
Assets whose use is limited, noncurrent	<u>578,299</u>	<u>298,212</u>
	<u>\$3,794,876</u>	<u>\$3,354,077</u>

A summary of investments at June 30, 2019 and 2018 is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$689,197	\$374,306
Equity securities	16,583	54,361
Fixed income securities	262,962	257,950
Funds:		
Global equity	1,230,692	1,127,517
Fixed income	883,312	815,317
Real estate	101,928	93,507
Other mutual funds	3,311	40,839
Private equity	166,456	152,254
Real estate	5,174	13,021
Hedge funds	153,619	161,644
External trusts	132,931	135,118
Investments subject to equity method and other	<u>148,711</u>	<u>128,244</u>
	<u>\$3,794,876</u>	<u>\$3,354,077</u>

Most private investment funds (private equity, real asset funds) are structured as closed-end, commitment-based investment funds where TJU commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit subscriptions by new or existing investors. Accordingly, TJU generally holds interests in such funds for which there is no active market, although in some situations, a transaction may occur in the "secondary market" where an investor purchases a limited partner's existing interest and remaining commitment. The fund managers may value the underlying private investment based on an appraised value, discounted cash flow, industry comparable or some other method. TJU values these limited partnerships at NAV.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Unlike private investment funds, hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e., the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). The fund managers invest in a variety of securities which may not be quoted in an active market. Illiquid investments may be valued based on appraised value, discounted cash flow, industry comparable or some other method.

The methods described above may produce a fair value calculation that may not be indicative of a net realized value or reflective of future fair values. Furthermore, while TJU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

TJU's direct investments in equity and fixed income securities are considered liquid assets because they are traded on established markets with enough participants to absorb sale transactions without materially impacting the current price of the asset. The underlying assets in TJU's investments in equity and fixed income funds are traded on established markets with enough participants to absorb sale transactions without materially impacting the current price. The funds are priced daily and provide next day availability on all transaction requests. TJU's investment in real asset funds provide for monthly liquidity on transaction requests.

Private equity investments have limited liquidity or redemption options. Liquidity for private investments can be accomplished via a secondary sale transaction. When available, distributions typically take place on a quarterly basis. TJU has made commitments to various private equity and real asset limited partnerships. The total amount of unfunded commitments is \$245.6 million and \$86.0 million at June 30, 2019 and 2018, respectively. TJU expects these funds to be called over the next 3 to 5 years (in thousands):

	<u>2019</u>	<u>2018</u>
Private equity	\$232,321	\$85,437
Real estate	<u>13,317</u>	<u>561</u>
	<u>\$245,638</u>	<u>\$85,998</u>

Hedge funds provide quarterly liquidity with 60 to 90 days' notice prior to the quarter's end limiting TJU's ability to respond quickly to changes in market conditions. Liquidity of individual hedge funds vary based on various factors and may include "gates", "holdbacks" and "side pockets" imposed by the manager of the hedge fund, as well as redemption fees which may also apply. Depending on the redemption options available, it may be possible that the reported NAV represents fair value based on observable data such as ongoing redemption

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

and/or subscription activity. In the cases of a holdback, TJU considers the significance of the holdback, its impact on the overall valuation and the associated risk that the holdback amount will not be fully realized based on a prior history of adjustments to the initially reported NAV.

For those private equity, real estate limited partnerships, or hedge-fund of fund transactions where valuations dated on the last business day of the calendar year are available, the valuations will be based on the most recent capital account statement (monthly/quarterly), adjusted for interim cash flow activity (contributions, distributions, fees).

Beneficial interests in perpetual trusts, which are administered by independent trustees, are mainly comprised of domestic and international equity securities and domestic fixed income securities.

TJU accounts for investments in the following entities under the equity method: Five Pointe Professional Liability Insurance Company (“Five Pointe”) (50% owned joint venture insurance entity); Mountain Laurel Risk Retention Group, Inc. (“MLRRG”) (50% owned joint venture insurance entity); Delaware Valley Accountable Care Organization (“DVACO”) (50% owned joint venture); MLJH, LLC (50% owned joint venture); Health Partners Plans (“HPP”) (25% membership interest joint venture) and Fresenius Medical Care Voorhees, LLC (“FMCV”) (30% owned joint venture). A summary of investments subject to the equity method and other investments is as follows at June 30, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Equity method:		
Five Pointe	\$45,225	\$47,962
MLRRG	5,425	3,556
HPP	27,003	20,974
DVACO	2,327	1,959
MLJH, LLC	31,489	32,146
FMCV, LLC	15,300	-
Other equity method investments	4,101	6,686
Other	17,841	14,961
	<u>\$148,711</u>	<u>\$128,244</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

A summary of investments held under split-interest agreements is as follows at June 30, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Charitable gift annuities	\$14,062	\$14,173
Pooled income funds	1,006	976
Charitable lead trusts	3,715	3,857
Charitable remainder trusts	7,026	8,778
	<u>\$25,809</u>	<u>\$27,784</u>

Investment income, realized gains and unrealized gains included in the consolidated statements of operations and changes in net assets are comprised of the following in 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Investment income included in operating income:		
Interest and dividends	\$15,086	\$6,414
Endowment payout	20,871	20,311
Net realized gains on sales of investments	-	4,584
DVACO	(3,514)	(3,447)
HPP	6,029	-
MLJH, LLC	3,142	1,799
Other joint ventures	(1,078)	971
	<u>40,536</u>	<u>30,632</u>
Investment income included in nonoperating income:		
Net realized and unrealized gains (losses)	126,657	111,764
Interest and dividends	2,561	19,382
Endowment payout	(20,871)	(20,311)
	<u>108,347</u>	<u>110,835</u>
Total	<u>\$148,883</u>	<u>\$141,467</u>

6. ENDOWMENT FUNDS

TJU's endowments consist of 1,006 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with each of these groups of funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

At June 30, 2019, the endowment net asset composition by type of fund consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted funds	\$0	\$534,826	\$534,826
Quasi-endowment funds	419,351	-	419,351
Total funds	<u>\$419,351</u>	<u>\$534,826</u>	<u>\$954,177</u>

Changes in endowment net assets for the fiscal year ended June 30, 2019, consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$405,956	\$526,941	\$932,897
Investment returns	24,169	17,134	41,303
Contributions	974	13,902	14,876
Appropriation of assets for expenditure	(20,871)	(17,024)	(37,895)
Transfers of University resources and other	9,123	(6,127)	2,996
Endowment net assets, end of year	<u>\$419,351</u>	<u>\$534,826</u>	<u>\$954,177</u>

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted funds	(\$1,474)	\$526,941	\$525,467
Quasi-endowment funds	407,430	-	407,430
Total funds	<u>\$405,956</u>	<u>\$526,941</u>	<u>\$932,897</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018, consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$381,242	\$460,499	\$841,741
Investment returns	24,606	22,225	46,831
Contributions	2,964	11,393	14,357
Appropriation of assets for expenditure	(20,311)	(14,463)	(34,774)
Transfers of University resources and other	17,455	47,287	64,742
Endowment net assets, end of year	<u>\$405,956</u>	<u>\$526,941</u>	<u>\$932,897</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires TJU to retain as a fund of perpetual duration. Shortfalls of this nature are classified as a reduction of donor-restricted net assets, and were \$1.3 million and \$1.4 million as of June 30, 2019 and 2018, respectively.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

These shortfalls resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by TJU.

7. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

TJU's financial assets available within one year of the balance sheet date for general expenditure are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$247,015	\$277,494
Accounts receivable	699,742	640,707
Pledge payments available for operations	23,491	17,664
Short-term investments	1,930,639	1,796,831
Subsequent year's endowment payout	39,047	37,895
	<u>2,939,934</u>	<u>2,770,591</u>
Liquidity resources:		
Bank lines of credit	48,000	54,100
Total financial assets and liquidity resources available within one year	<u>\$2,987,934</u>	<u>\$2,824,691</u>

TJU's endowment funds consist of donor-restricted and quasi-endowment funds. Income from donor-restricted endowment funds is restricted for specific purposes and therefore, is not available for general expenditures. Although TJU does not intend to spend from its quasi-endowment funds in excess of the endowment payout amount calculated pursuant to its spendable income policy described in Note 1, additional amounts from its quasi-endowment could be made available with Board approval.

As part of TJU's liquidity management, it has a practice to structure its financial assets in a manner to be available to satisfy general expenditures and other obligations as they come due. To manage unanticipated liquidity needs, TJU had available unsecured lines of credit from various banks of \$48.0 million and \$54.1 million at June 30, 2019 and 2018, respectively, under which there were no borrowing at June 30, 2019 and 2018, respectively.

8. FAIR VALUE MEASUREMENT

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that TJU has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are not currently observable.

Inputs are used in applying the various valuations techniques and broadly refer to the assumption that market participants use to make valuation decisions. An investments level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment. The categorization of an investment within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to TJU’s perceived risk of that instrument.

Level 1 - Investments, whose values are based on quoted market prices in active markets, are therefore classified within Level 1. Typically, securities traded on the NYSE, AMEX, NASDAQ and other major exchanges will be classified as Level 1. These assets include active listed equities, certain U.S. government obligations, mutual funds and certain money market securities. For investments regularly traded on any recognized securities or commodities exchange, the closing price on such exchange (or, if applicable, as reported on the consolidated transactions reporting system) on the last trading date at the end of the fiscal year is used. In the case of securities regularly traded in the over-the-counter market, the closing bid quotations for long positions and the closing asked quotation for short positions on the trading date ending on or preceding the end of the fiscal year is used.

Level 1 - Liquidity – Daily based on quoted market value at time of transaction or at daily NAV.

Level 2 - Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. They include investments in common trust equity and fixed income funds, corporate grade bonds, high yield bonds and certain mortgage products. These assets are valued based on quoted market prices in active markets or dealer quotations and are categorized as Level 2. There were no transfers between Levels 1 and 2 during 2019 and 2018.

Level 2 - Liquidity – Daily based on quoted market value at time of transaction or at daily NAV.

Level 3 - Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include externally held trust funds.

Level 3 - Liquidity – No liquidity available as the assets are mainly comprised of donor restricted externally held trust funds of which TJU has a perpetual interest in the annual income stream.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The following table presents the short term and long term investments, and assets whose use is limited carried on the consolidated balance sheets by level within the valuation hierarchy or NAV as of June 30, 2019 and 2018 (in thousands):

	Level 1	Level 2	Level 3	NAV	2019
Cash and cash equivalents	\$689,197	\$0	\$0	\$0	\$689,197
Equity securities	42	14,041	-	2,500	16,583
Fixed income securities	84,618	161,652	-	16,692	262,962
Funds:					
Global equity	33,816	-	-	1,196,876	1,230,692
Fixed income	-	-	-	883,312	883,312
Real asset	-	4,579	-	97,349	101,928
Other mutual funds	3,311	-	-	-	3,311
Private equity	-	-	-	166,456	166,456
Real estate	-	-	-	5,174	5,174
Hedge funds	-	-	-	153,619	153,619
External trusts	-	-	132,931	-	132,931
Total	<u>\$810,984</u>	<u>\$180,272</u>	<u>\$132,931</u>	<u>\$2,521,978</u>	<u>\$3,646,165</u>
	Level 1	Level 2	Level 3	NAV	2018
Cash and cash equivalents	\$374,306	\$0	\$0	\$0	\$374,306
Equity securities	48,867	2,994	-	2,500	54,361
Fixed income securities	56,509	195,935	-	5,506	257,950
Funds:					
Global equity	18,567	13,090	-	1,095,860	1,127,517
Fixed income	25,387	7,019	-	782,911	815,317
Real asset	-	-	-	93,507	93,507
Other mutual funds	23,494	5,179	-	12,166	40,838
Private equity	-	-	-	152,254	152,254
Real estate	-	-	-	13,021	13,021
Hedge funds	-	-	-	161,644	161,644
External trusts	-	-	135,118	-	135,118
Total	<u>\$547,130</u>	<u>\$224,217</u>	<u>\$135,118</u>	<u>\$2,319,368</u>	<u>\$3,225,833</u>

Investments not subject to fair value leveling or fair value at NAV at June 30, 2019 and 2018 totaled \$148.7 million and \$128.4 million, respectively.

The fair value of TJU's interest rate swaps related to its debt obligations are based on third-party valuations independent of the counterparties. As the fair values of interest rate swaps are determined based on inputs that are readily available or can be derived from information available in public markets, TJU has categorized interest rate swaps as Level 2.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The following table presents the other liabilities carried on the consolidated balance sheets by level within the valuation hierarchy as of June 30, 2019 and 2018 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>2019</u>
Interest rate swaps	<u>\$0</u>	<u>\$33,975</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,975</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>2018</u>
Interest rate swaps	<u>\$0</u>	<u>\$24,441</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,441</u>

The following tables include a roll-forward of the amounts for the year ended June 30, 2019 and 2018 (in thousands) for investments classified within Level 3.

	<u>External Trusts</u>
Balance at July 1, 2018	\$135,118
Acquisitions	-
Dispositions	-
Realized gain/(loss), net	-
Unrealized gain/(loss), net	(2,187)
Contribution received in business combination	-
Transfers in	-
Balance at June 30, 2019	<u>\$132,931</u>

	<u>External Trusts</u>
Balance at July 1, 2017	\$105,319
Acquisitions	-
Dispositions	-
Realized gain/(loss), net	-
Unrealized gain/(loss), net	1,824
Contribution received in business combination	27,975
Transfers in	-
Balance at June 30, 2018	<u>\$135,118</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

9. PLEDGES RECEIVABLE

A summary of pledges receivable is as follows at June 30, 2019 and 2018, respectively (in thousands):

	<u>2019</u>	<u>2018</u>
Unconditional promises expected to be collected in:		
Less than one year	\$34,187	\$28,240
One year to five years	80,039	85,517
Over five years	<u>54,501</u>	<u>56,606</u>
	168,727	170,363
Less: unamortized discount and allowance for doubtful accounts	<u>(36,694)</u>	<u>(38,353)</u>
	<u>\$132,033</u>	<u>132,010</u>

The discount rate ranges from 0.4% to 5.5%. TJU's largest pledge comprises 48% and 51% of the pledge receivable at June 30, 2019 and 2018, respectively.

10. LAND, BUILDINGS AND EQUIPMENT

A summary of land, buildings and equipment is as follows at June 30, 2019 and 2018, respectively (in thousands):

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$197,315	\$196,989
Buildings and building improvements	2,673,369	2,437,872
Equipment	1,963,593	1,867,250
Leasehold improvements	120,422	126,832
Construction in progress	299,990	182,759
Less: accumulated depreciation	<u>(2,670,956)</u>	<u>(2,411,884)</u>
Total land, buildings and equipment, net	<u>\$2,583,733</u>	<u>\$2,399,819</u>

TJU uses straight-line depreciation over the assets' estimated lives, which are as follows:

Land improvements	10-20 years
Buildings and building improvements	18-40 years
Equipment	3-15 years
Leasehold improvements	5-20 years

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

11. LONG-TERM OBLIGATIONS

	Final Maturity	Interest Rate at June 30, 2019	2019	2018
Revenue bonds:				
Fixed rate obligations:				
1993 Series A Revenue Bonds	2022	6.00%	\$5,930	\$5,930
Unamortized issue costs			(56)	(76)
2006 Series B Revenue Bonds	2020	4.00%-5.25%	5,785	11,270
Unamortized premium and issue costs			9	65
2009 Series A Revenue Bonds	2019	5.00%	-	5,335
Unamortized issue costs			-	(19)
2012 Series Revenue Bonds	2042	3.00%-5.00%	38,355	39,520
Unamortized premium and issue costs			1,823	1,972
2012 Series A Revenue Bonds	2032	3.25%-5.00%	40,340	43,445
Unamortized premium and issue costs			2,001	2,418
2015 Series A Revenue Bonds	2051	3.00%-5.25%	301,805	301,805
Unamortized premium and issue costs			20,317	21,219
2017 Series A Revenue Bonds	2048	2.875%-5.50%	262,270	262,270
Unamortized premium and issue costs			12,656	13,325
2018 Series A Revenue Bonds	2050	4.00%-5.00%	356,285	356,285
Unamortized premium and issue costs			26,998	29,649
2018 Series B Revenue Bonds	2030	2.98%-3.88%	35,075	35,075
Unamortized issue costs			(254)	(291)
2019 Series A Revenue Bonds	2051	4.00%-5.00%	449,745	-
Unamortized premium and issue costs			42,999	-
Total fixed rate obligations			1,602,083	1,129,197
Variable rate obligations:				
2012 Series B Revenue Bonds	2035	1.95%	-	50,000
2015 Series B Revenue Bonds	2046	1.92%	60,000	60,000
Unamortized issue costs			(502)	(522)
2015 Series C Revenue Bonds	2042	2.36%	34,620	34,740
Unamortized issue costs			(117)	(126)
2015 Series D Revenue Bonds	2042	2.43%	34,375	34,500
Unamortized issue costs			(116)	(125)
2015 Series E Revenue Bonds	2042	2.37%	34,615	34,740
Unamortized issue costs			(117)	(126)
2015 Series F Revenue Bonds	2042	2.43%	34,375	34,500
Unamortized issue costs			(116)	(125)
2015 Series G Revenue Bonds	2042	2.33%	20,650	20,725
Unamortized issue costs			(70)	(75)
2015 Series H Revenue Bonds	2042	3.59%	28,630	28,735
Unamortized issue costs			(101)	(108)
2017 Series B Revenue Bonds	2050	1.92%	50,565	50,565
Unamortized issue costs			(519)	(537)
2017 Series C Revenue Bonds	2050	2.28%	50,000	50,000
Unamortized issue costs			(291)	(301)
2018 Series C Revenue Bonds	2052	2.23%	100,000	100,000
Unamortized issue costs			(854)	(881)
2018 Series D Revenue Bonds	2051	1.92%	49,950	49,950
Unamortized issue costs			(426)	(440)
Total variable rate obligations			494,551	545,089
Total Revenue bonds			2,096,634	1,674,286
Capital lease obligations	2025		15,459	18,107
Other			995	1,441
Total long-term debt obligations			\$2,113,088	\$1,693,834

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

All TJU Revenue bonds were issued by certain financing authorities as limited obligations of the authorities payable from amounts received under loan agreements with TJU. The bonds are subject to optional redemption prior to maturity on specified dates. The bond agreements contain certain covenants, including financial covenants that require TJU to generate net revenue (as defined) at least equal to 110% of annual debt service requirements. TJU was in compliance with this financial covenant requirement at June 30, 2019.

The 2019 Series A Revenue Bonds were issued in June 2019. The proceeds provided funds for certain capital projects and to refinance the 2012 Series B Revenue Bonds.

The 2018 Series A through D Revenue Bonds were issued in May 2018. The proceeds provided funds for certain capital projects and to refinance the 2017 Series E and certain long term obligations of Aria and Kennedy. The 2017 Series E Revenue Bonds were issued in December 2017. The proceeds provided funds to refinance certain long term obligations of Philadelphia University, Kennedy and Abington.

Maturities for long-term debt for each of the next five years are as follows (in thousands):

2020	27,500
2021	21,404
2022	29,709
2023	27,261
2024	27,930
Thereafter	1,875,846

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

12. DERIVATIVE FINANCIAL INSTRUMENTS

TJU entered into derivative transactions for the purpose of reducing the impact of fluctuations in interest rates under the terms of various interest rate swap contracts. The fair value of these derivative instruments at June 30, 2019 and 2018 in the consolidated balance sheets is as follows (in thousands):

Expiration Date	TJU Receives	TJU Pays	Notional Amount at June 30, 2019	Notional Amount at June 30, 2018	Balance Sheet Location	Fair Value at June 30, 2019	Fair Value at June 30, 2018
Expiration 2/1/34	67% of United States Dollar LIBOR (one Month)	2.980%	\$67,260	\$67,260	Noncurrent Liability	\$5,946	\$3,671
Expiration 5/1/18	67% of United States Dollar LIBOR (one Month)	4.542%	\$15,290	\$15,290	Noncurrent Liability	\$0	\$0
Expiration 9/1/45	67% of United States Dollar LIBOR (one Month)	3.925%	\$18,348	\$14,760	Noncurrent Liability	\$22,727	\$15,841
Expiration 5/1/27	68% of United States Dollar LIBOR (one Month)	3.980%	\$38,025	\$41,950	Noncurrent Liability	\$4,685	\$4,116
Expiration 5/1/27	68% of United States Dollar LIBOR (Five Year minus 0.293%)	68% of United States Dollar LIBOR (one Month)	\$66,175	\$73,000	Noncurrent Liability	\$358	\$476
Expiration 5/1/27	68% of United States Dollar LIBOR (Five Year minus 0.325%)	68% of United States Dollar LIBOR (one Month)	\$38,025	\$41,950	Noncurrent Liability	\$259	\$337
Expiration 4/23/18	68% of United States Dollar LIBOR (one Month plus 1.60%)	6.390%	\$0	\$3,878	Noncurrent Liability	\$0	\$0

The London InterBank Offered Rate (“LIBOR”) with a one month maturity ranged from 2.06% to 2.52% (average rate of 2.35%) in 2019. The LIBOR rate with the five year maturity ranged from 1.70% to 3.21% (average rate of 2.66%) in 2019. Non-operating losses of \$11.9 million and non-operating gains of \$3.3 million at June 30, 2019 and 2018, respectively, are included

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

in the consolidated statements of operations and changes in net assets for interest rate swap contracts.

	<u>2019</u>	<u>2018</u>
Change in valuation of interest rate swap contracts	(\$9,534)	\$6,036
Net settlement payments with counterparties	<u>(2,333)</u>	<u>(2,724)</u>
Nonoperating (loss) gain on interest rate swap contracts	<u>(\$11,867)</u>	<u>\$3,312</u>

Accumulated losses on interest rate swap contracts of \$34.0 million and \$24.4 million at June 30, 2019 and 2018, respectively, are reflected in the consolidated balance sheets.

13. OPERATING LEASES

TJU has lease obligations for buildings, equipment and ambulatory facilities under various operating leases. Lease expenses charged to operations were \$79.0 million and \$77.1 million in 2019 and 2018, respectively. At June 30, 2019 the minimum future non-cancelable rental lease commitments are as follows (in thousands):

2020	\$43,442
2021	36,575
2022	31,045
2023	28,754
2024	26,549
Thereafter	<u>185,991</u>
	<u>\$352,356</u>

14. EMPLOYEE BENEFIT PLANS

TJU has non-contributory defined benefit pension plans for certain full-time employees. The plans are frozen to new entrants. Certain existing employees that met certain age and years of service thresholds were eligible to remain in the plans and continue to earn benefits. The Magee plan is frozen for all participants. Benefits under the non-contributory defined benefit plans are based on the employee's years of service and compensation during the years preceding retirement. Contributions to the plan are designed to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The accounting guidance for defined benefit pension plans requires employers to recognize the overfunded or underfunded projected benefit obligation ("PBO") of a defined benefit pension plan as an asset or liability in the balance sheet. The PBO represents the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future salary increases. The accounting guidance also requires employers to recognize annual

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

changes in gains or losses, prior service costs, or other credits that have not been recognized as a component of net periodic pension cost through net assets without donor restriction. Effective beginning with the fiscal year ending June 30, 2018, TJU changed the method used to calculate service cost and interest cost. The calculation of service cost and PBO will utilize a split discount rate approach, where separate discount rates are calculated for determining each based on their respective expected cash flows. Additionally, the calculation of the interest cost will begin to utilize an approach that applies the individual spot rates from the full yield curve against the expected benefit payments for each year rather than using the single equivalent discount rate applied to all future years. This change will be accounted for as a change in accounting estimate that is reflected prospectively. These changes do not impact the calculation of the PBO or the discount rate.

The components of the net pension plan financial position on the consolidated balance sheets are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Change in projected benefit obligation:		
Benefit obligation, beginning of year	\$1,888,366	\$1,726,280
Transfer in - Acquisitions	-	237,255
Service cost	38,657	42,477
Interest cost	76,614	67,276
Net experience gain(loss)	159,776	(128,257)
Benefits paid	<u>(62,767)</u>	<u>(56,665)</u>
Projected benefit obligation, end of year	2,100,646	1,888,366
Change in plan assets:		
Fair value of plan assets, beginning of year	1,539,420	1,276,879
Transfer in - Acquisitions	-	182,180
Actual return of plan assets	108,070	98,273
Employer contributions	36,512	38,753
Benefit payments	<u>(62,754)</u>	<u>(56,665)</u>
Fair value of plan assets, end of year	<u>1,621,248</u>	<u>1,539,420</u>
Plan funded status	<u>(\$479,398)</u>	<u>(\$348,946)</u>

Amounts recognized as net assets without donor restriction consist of (in thousands):

	<u>2019</u>	<u>2018</u>
Net actuarial loss	<u>\$425,844</u>	<u>\$272,809</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The accumulated benefit obligation at June 30, 2019 and 2018 was as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Accumulated benefit obligation	<u>\$1,940,935</u>	<u>\$1,732,345</u>

The components of net periodic benefit cost for the plans for the years ended June 30, 2019 and 2018 were as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Service cost	\$38,657	\$42,477
Interest cost	76,614	67,276
Expected return on plan assets	(110,031)	(105,981)
Amortization of actuarial loss	<u>8,702</u>	<u>25,935</u>
Net periodic benefit cost	13,942	29,707
Other changes in plan assets and benefit obligations recognized in net assets without donor restriction:		
Net actuarial gain(loss)	161,737	(120,548)
Actuarial loss	<u>(8,702)</u>	<u>(25,935)</u>
Total recognized in net assets without donor restriction	153,035	(146,483)
Total recognized in net periodic benefit cost and net assets without donor restriction	<u>\$166,977</u>	<u>(\$116,776)</u>

The estimated actuarial loss that will be amortized from net assets without donor restriction during the upcoming fiscal year is \$24.2 million.

The weighted average assumptions used to estimate the June 30 pension obligation were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	3.75%	4.38%
Rate of compensation increase	3.50%	3.50%
Expected return on plan assets	6.98%	6.98%

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The weighted average assumptions used to determine net periodic benefit costs were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate - service cost	4.22%	4.06%
Discount rate - interest cost	4.21%	3.29%
Rate of compensation increase	3.50%	3.50%
Expected return on plan assets	6.98%	7.40%

A summary of the plans' targeted and actual asset allocations are as follows:

	<u>Targeted Range</u>	<u>Percentage of Plan Assets June 30, 2019</u>	<u>Percentage of Plan Assets June 30, 2018</u>
Cash	0-5%	2%	1%
Bonds	25-45%	27%	28%
Global equity	45-65%	62%	68%
Real estate and other	5-10%	9%	3%
		<u>100%</u>	<u>100%</u>

The portfolios utilize a long-term asset allocation strategy that allows management to rebalance the asset allocation back to target levels on a monthly basis. Short-term compliance with the target ranges can be impacted by the severity of market conditions. The expected long-term rate of return for the plan's assets are based on the historical return of each of the above categories, weighted based on the target allocations for each class. The assets of the defined benefit pension plan are invested in a manner that is intended to preserve the purchasing power of the plan's assets and provide payments to beneficiaries. Thus, a rate of return objective of inflation plus 5% is targeted.

TJU expects to contribute \$32.2 million during fiscal year 2020.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Projected benefit payments for the next five years are as follows (in thousands):

2020	\$79,961
2021	80,536
2022	86,475
2023	93,003
2024	98,673
2025-2029	<u>573,170</u>
	<u>\$1,011,818</u>

The following table presents the fair value of plan assets by level within the valuation hierarchy, as discussed in Note 6, as of June 30, 2019 and 2018 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>2019</u>
Cash and cash equivalents	\$33,184	\$0	\$0	\$0	\$33,184
Equity securities	38,736	-	-	-	38,736
Fixed income securities	-	2	-	-	2
Funds:					
Global equity	-	-	-	971,710	971,710
Fixed income	15,267	-	-	423,298	438,565
Real assets	-	-	-	84,055	84,055
Other mutual funds	-	-	-	-	-
Private equity	-	-	-	2,790	2,790
Real estate	-	-	-	468	468
Hedge funds	-	-	-	51,737	51,737
Total	<u>\$87,188</u>	<u>\$2</u>	<u>\$0</u>	<u>\$1,534,058</u>	<u>\$1,621,248</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>2018</u>
Cash and cash equivalents	\$8,915	\$0	\$0	\$0	\$8,915
Equity securities	37,814	49	-	266,883	304,746
Fixed income securities	5,111	76,375	-	-	81,486
Funds:					
Global equity	-	-	-	739,101	739,101
Fixed income	15,554	-	-	334,682	350,236
Private equity	-	-	-	1,316	1,316
Real estate	-	-	-	469	469
Hedge funds	-	-	-	53,151	53,151
Total	<u>\$67,394</u>	<u>\$76,424</u>	<u>\$0</u>	<u>\$1,395,602</u>	<u>\$1,539,420</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Retirement benefits are also provided to certain employees through direct payments to various funds. Employees not subject to TJU's defined benefit plans may be eligible to participate in one of the following defined contribution arrangements. TJU's share of the cost of these benefits for the year ended June 30, 2019 and 2018 was as follows (in thousands):

Plan	Description	2019	2018
TJU: Faculty and senior administrators	9% to 13% of eligible compensation based upon age	\$23,628	\$22,310
TJU: Non-faculty and non-union	4.5% of eligible compensation, plus matching contribution of 25% of the first 6% of employee contributions	22,716	21,600
JUP	10% of eligible compensation for physicians and 3.5% to 5.5% of eligible compensation for non-physicians based upon years of service	19,036	19,704
Abington	2% to 5% of eligible compensation based upon years of service, plus matching contribution of 50% of the first \$2,000 of employee contributions	6,945	5,756
Aria	Matching contribution of 50% of the first 4% of employee contributions plus 1% to 7% based on age and years of service	10,333	5,040
Philadelphia University	9% of eligible compensation	2,378	2,129
Kennedy	Matching contribution of 50% to 100% of the first 4% of employee contributions starting in year 3. For those that started after 7/1/15, another 2.75% to 4.75% of their annual salary in lieu of a defined benefit plan	6,103	4,529
Magee	2% to 4% of eligible compensation, plus matching contribution of 25% of the first 6% of employee contributions	1,696	830
		<u>\$92,835</u>	<u>\$81,898</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Participation in Multiemployer Defined Benefit Pension Plan

TJU is a participating employer in The Pension Fund for Hospital and Health Care Employees – Philadelphia and Vicinity (the Pension Fund), a jointly-trusted multiemployer defined benefit pension plan. The Pension Fund is operated for the benefit of Chapter 1199C of the American Federation of State, County and Municipal Employees (the Union). Information about the Pension Fund and the TJU's participation is summarized as follows.

The employer identification number for the Pension Fund is 23-2627428. At the date the financial statements were issued Form 5500 was not available for the plan year ending in 2019. TJU's contribution to the Pension Fund was \$7.9 million and \$8.2 million for the years ended June 30, 2019 and 2018, respectively. The contributions represent approximately 25.9% and 27% of the contributions to the Pension Fund, respectively. A three year collective-bargaining agreement was approved by the Union effective July 1, 2018. TJU contributions as a percentage of covered payroll to the Pension Fund for the year ending June 30, 2019 will be 21.55%.

The Pension Fund was determined to be in critical status (also referred to as red zone status) under the Pension Protection Act of 2006 for the plan years beginning January 1, 2017 and 2016. Accordingly, the Pension Fund is subject to a funding improvement plan. The zone status is based on information that TJU received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone status are generally less than 65% funded.

At January 1, 2018, the most recent date for which such information is available, the projected benefit obligation of the Pension Fund exceeded the plan assets by \$233.2 million.

15. PROFESSIONAL LIABILITY CLAIMS

TJU maintains professional liability insurance under both self-insured and alternative risk financing insurance programs to fund for their potential professional and general liability claims. For all self-insured programs TJU accrues for estimated retained risk liability arising from both asserted and unasserted claims. The estimate of liability is based upon an analysis of historical claims data as prepared by independent actuaries.

For the Pennsylvania based healthcare providers including Magee, TJUHS (including JUP), Abington and Aria the primary layer of professional liability coverage is claims made coverage with limits of \$500,000 per medical incident and \$2.5 million annual aggregate per hospital and \$500,000 per medical incident and \$1.5 million annual aggregate per scheduled physician/resident. This primary layer of coverage is statutorily prescribed in Pennsylvania.

For the New Jersey based healthcare providers including Kennedy Health System the primary layer of professional liability coverage is claims made coverage with limits of \$1.0 million per medical incident and \$3.0 million annual aggregate for the hospitals and per scheduled physician/resident/midwife.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

In addition, for Kennedy, Magee, TJUHS, Abington and Aria non-healthcare provider entities are provided with shared limits of \$1.0 million per medical incident and \$3.0 million annual aggregate. Also provided on the TJUHS policy are individual limits of \$1.0 million per medical incident and \$3.0 million annual aggregate for dentists, as well as physicians/residents practicing in other states including Delaware, New Jersey and Maryland. For TJU a primary professional liability layer of coverage of \$1.0 million per claim and \$3.0 million in the aggregate is provided.

This primary layer of professional liability coverage is provided by MLRRG for Kennedy, Magee, TJU and TJUHS. MLRRG is a licensed captive insurance company qualified as a risk retention group domiciled in Vermont. TJU is a 50% owner of MLRRG. The remaining ownership interest is held by other regional non-profit hospitals and/or health systems.

MLRRG is reinsured by a non-profit 501(c) (3) protected cell insurance company, Five Pointe, domiciled in Delaware. Five Pointe reinsures 100% of the professional liability risks of Kennedy, Magee, TJU and TJUHS insured by MLRRG pursuant to a reinsurance agreement between Five Pointe and MLRRG that limits MLRRG's recourse for payment of any reinsured claims against Kennedy, Magee, TJU and/or TJUHS to the assets in the TJUH protected cell.

For Abington and Aria this primary layer of professional liability coverage is provided by Cassatt RRG ("CRRG"). CRRG is a licensed captive insurance company qualified as a risk retention group domiciled in Vermont. CRRG is owned and governed by various regional non-profit hospitals including a 25% voting interest by Abington and a 25% voting interest by Aria. CRRG is reinsured by Cassatt. Cassatt is owned by the same various regional non-profit hospitals and is incorporated as an insurance company under the laws of Bermuda.

Pennsylvania's Medical Care Availability and Reduction of Error Fund (the "MCARE Fund") provides limits of \$500,000 per claim and \$1.5 million annual aggregate for Magee, TJUHS, Abington and Aria hospitals and per scheduled Magee, TJUHS, Abington and Aria physicians/residents excess of the primary layer of coverage described above. The annual assessments for MCARE Fund coverage are based on the schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association multiplied by an annual assessment percentage. This assessment is recognized as an expense in the period incurred. No provision has been made for future MCARE Fund assessments as the unfunded portion of the MCARE Fund liability cannot be reasonably estimated.

For losses in excess of the primary and MCARE layers of coverage TJUHS retains and accrues for potential liabilities up to a \$12.0 million each and every medical incident retention, Kennedy retains and accrues for potential liabilities up to a \$3.0 million each and every medical incident retention and Magee retains and accrues for potential liabilities up to a \$1.0 million each and every medical incident retention (inclusive of defense costs, and primary and MCARE payments). Accruals for the retained amounts are based on actuarially-determined estimates,

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

which reflect a 65% confidence level and a 3% discount rate for 2019 and 2018. These estimates are based on historical information along with certain assumptions about future events. Changes in assumptions for such considerations as medical costs and actual experience could cause these estimates to change.

TJUHS maintains claims-made excess catastrophic professional liability insurance coverage through Five Pointe in the amount of \$95.0 million per medical incident and \$95.0 million annual aggregate which attaches excess of the primary, MCARE and retained limits of coverage described above. For TJU's miscellaneous professional liability exposure the excess professional liability insurance coverage attaches excess of \$1.0 million per claim and \$3.0 million annual aggregate. Five Pointe reinsures 100% of this risk to six reinsurers (ACE, XL, Lloyd's Syndicates, Zurich, Endurance and Swiss Re) currently rated at least A- by A.M. Best. A separate limit of \$95.0 million per occurrence and \$95.0 million aggregate is also maintained to provide liability insurance coverage excess of the general, auto, employers and aviation liability coverages.

For Abington and Aria, liabilities for potential professional liability losses in excess of the primary hospital and MCARE layers, Cassatt provides coverage up to a \$4.0 million per claim limit and layered excess professional liability coverage of \$15.0 million per claim with a \$48.0 million annual aggregate reinsured by commercial reinsurance carriers rated at least "A" by A.M. Best. In addition, CRRG provides an umbrella liability policy with limits of \$49.0 million per occurrence and \$49.0 million annual aggregate for the general, auto, employers and aviation liability exposures. The excess professional and umbrella policies coverage limits are shared with the various regional non-profit hospital owners of CRRG and Cassatt.

MLRRG provides a \$2.0 million per occurrence and \$4.0 million annual aggregate general liability coverage limit for Magee, Kennedy, TJU and TJUHS. The MLRRG retains 100% of the general liability coverage exposure.

CRRG provides a \$1.0 million per occurrence and \$2.0 million annual aggregate general liability coverage limit for Abington and Aria.

For MLRRG the premiums charged for the primary professional and general liability layers of coverage are determined by an independent actuary, based on loss and loss adjustment expense experience and other factors, at a 65% confidence level and a 3% discount rate for 2019 and 2018 and include a charge for premium tax and operating expenses.

For CRRG the premiums charged for the primary professional and general liability layers of coverage are determined by an independent actuary, based on loss and loss adjustment expense experience and other factors, at a 55% confidence level and a 3.5% discount rate for 2019 and 2018.

TJU has accrued professional liability claims of \$478.5 million and \$474.5 million at June 30, 2019 and 2018, respectively, of which \$79.0 million and \$70.0 million were current.

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Anticipated medical malpractice insurance recoveries associated with these liabilities for June 30, 2019 and 2018 is \$243.6 and \$224.4 million, respectively.

16. WORKERS' COMPENSATION CLAIMS

TJU is self-insured for its workers' compensation exposures. TJU accrues for its workers' compensation liability based upon actuarial estimates using a discount rate of 3%. Accrued workers' compensation liabilities were \$29.6 million and \$32.0 million at June 30, 2019 and 2018, respectively. These amounts are presented in the accompanying consolidated balance sheets.

17. COMMITMENTS AND CONTINGENCIES

Letters of Credit

TJU had open letters of credit aggregating \$20.5 million and \$33.2 million at June 30, 2019 and 2018, respectively, primarily related to self-insurance arrangements for workers' compensation. The letters of credit expire between August 30, 2019 and August 24, 2020.

Litigation

TJU is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by commercial insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial position or results of operations of TJU.

18. FUNCTIONAL CLASSIFICATION

Expenses for the years ended June 30, 2019 and 2018 are categorized on a functional basis as follows (in thousands):

	Education and Research	Clinical Operations	Total
Salaries and wages	\$245,168	\$2,087,555	\$2,332,723
Employee benefits	59,639	459,112	518,751
Supplies	32,675	826,919	859,594
Purchased services	24,745	405,007	429,752
Depreciation and amortization	33,184	214,750	247,934
Interest	11,737	41,911	53,648
Insurance	559	79,465	80,024
Utilities	12,647	53,169	65,816
Rent	7,218	71,780	78,998
Other expenses	93,460	404,512	497,972
Total June 30, 2019	<u>\$521,032</u>	<u>\$4,644,180</u>	<u>\$5,165,212</u>
Total June 30, 2018	<u>\$480,306</u>	<u>\$4,237,685</u>	<u>\$4,717,991</u>

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Natural expenses attributable to more than one functional expense category are apportioned using enterprise services allocation methodology.

19. NONCONTROLLING INTEREST

TJU has a controlling interest in certain joint ventures in healthcare related organizations; the Riverview Surgery Center at the Navy Yard, LP (“Riverview”, a 51% owned joint venture); Jefferson University Radiology Associates (“JURA”, an 80% owned joint venture); Jefferson Comprehensive Concussion Center (“JCCC”, a 66% owned joint venture that was liquidated in 2019); Rothman Orthopaedic Specialty Hospital, LLC (“ROSH”, a 54% owned joint venture); Garden State Radiology Network (“GSRN”, a 51% owned joint venture). The amount not owned by TJU is shown as a non-controlling interest. The following table presents the changes in consolidated net assets without donor restriction attributable to the controlling financial interest of TJU and the non-controlling interest (in thousands):

	Controlling Interest	Non-controlling Interests					Total	Consolidated Total
		Riverview	JURA	JCCC	ROSH	GSRN		
Balance, June 30, 2017	\$2,306,866	\$2,091	\$434	\$499	\$72,472	\$0	\$75,496	\$2,382,362
Acquisition of GSRN	1,910	-	-	-	-	1,835	1,835	3,745
Income from Operations	2,801	2,062	491	5	6,621	127	9,306	12,107
Distributions to NCI	-	(2,058)	(350)	-	(6,992)	-	(9,400)	(9,400)
Other changes, net	905,420	-	-	-	-	(5)	(5)	905,415
Balance, June 30, 2018	\$3,216,997	\$2,095	\$575	\$504	\$72,101	\$1,957	\$77,232	\$3,294,229
Income from Operations	41,103	2,126	690	(201)	7,186	112	9,913	51,016
Distributions to NCI	-	(2,352)	(448)	(303)	(7,820)	-	(10,923)	(10,923)
Other changes, net	(28,142)	-	(136)	-	-	(7)	(143)	(28,285)
Balance, June 30, 2019	\$3,229,958	\$1,869	\$681	\$0	\$71,467	\$2,062	\$76,079	\$3,306,037

20. EVENTS SUBSEQUENT TO ORIGINAL ISSUANCE OF FINANCIAL STATEMENT (UNAUDITED)

In connection with the reissuance of the financial statements, the University has evaluated subsequent events through September 25, 2020, the date the financial statements were available to be reissued.

In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for healthcare and higher education institutions. The Commonwealth of Pennsylvania, the State of New Jersey, and certain municipalities have adopted various measures to address the spread of this pandemic.

Beginning in March 2020, TJU's operations were significantly impacted by the COVID-19 pandemic. All elective healthcare procedures and office visits were canceled as a result of governmental stay-at-home orders that were in effect in the region into June 2020. As a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March

Thomas Jefferson University
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

27, 2020, TJU received over \$300 million in government support primarily to reimburse for COVID-19 related expenses and lost operating income. Due to COVID-19, TJU has generated losses from operations since March 2020 in excess of CARES Act support received.

Additionally, driven primarily by the impact of COVID-19 on TJU's operations, TJU was not able to maintain the Debt Service Coverage Ratio ("DSCR") at June 30, 2020 related to TJU's bonds. To support management's recovery actions already initiated as necessitated by the COVID-19 pandemic, and in accordance with the Master Trust Indenture (MTI) requirements, TJU has engaged an Independent Consultant to advise TJU on possible steps to enhance future revenues, net of expenses, in order to achieve the required DSCR in the future; and TJU will consider such recommendations, all in accordance with the MTI requirements, which further supplement management's actions as part of its overall recovery plans. In addition, the Liquid Unrestricted Net Assets (as defined in the MTI) were greater than 25% of outstanding Long-Term Indebtedness (as Defined in the MTI) at June 30, 2020. As such, TJU remains in compliance with the requirements of the MTI at June 30, 2020.

While management expects COVID-19 to continue to impact operations in fiscal year 2021, it believes TJU will have sufficient liquidity to meet its operating and financing requirements.

Schedule of Expenditures of Federal Awards

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Student Financial Assistance Cluster							
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Nursing Student Loans							
Outstanding loans as of July 1, 2018	93.364	1,377,606				1,377,606	
New loans issued during 2019	93.364	271,400				271,400	
Health Professions student Loans, Including Primary Care Loans/Loans for Disadvantaged Students							
Outstanding loans as of July 1, 2018	93.342	862,337				862,337	
New loans issued during 2019	93.342	152,072				152,072	
Total Department of Health and Human Services		2,663,415	-			2,663,415	-
DEPARTMENT OF EDUCATION							
Federal Supplemental Educational Opportunity Grants	84.007	506,303				506,303	
Federal Work-Study Program	84.033	1,479,690				1,479,690	
Administrative Cost Allowance		106,838				106,838	
Federal Pell Grant Program	84.063	5,689,355				5,689,355	
Federal Perkins Loans							
Outstanding loans as of July 1, 2018	84.038	5,948,640				5,948,640	
New loans issued during 2019	84.038						
Federal Direct Student Loans	84.268	122,263,921				122,263,921	
Total Department of Education		135,994,747	-			135,994,747	-
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		138,658,162	-			138,658,162	-
Research and Development Cluster							
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
National Institutes of Health							
Environmental Health	93.113	707,771				707,771	-
Environmental Health	93.113		49,615	University of Rochester	416048-G	49,615	-
Environmental Health	93.113		(212)	Colorado State University	G011221	(212)	-
Oral Diseases and Disorders Research	93.121	42,828			RDE028397A	42,828	-
Oral Diseases and Disorders Research	93.121		1,871	Trustees of Boston University	4500001834	1,871	-
Oral Diseases and Disorders Research	93.121		803	Trustees of Boston University	4500001834	803	-
Human Genome Research	93.172		39,218	Arizona State University	17-094	39,218	-
Research Related to Deafness and Communication Disorders	93.173	283,676			RDC013059B	283,676	-
Research Related to Deafness and Communication Disorders	93.173		23,024	Ohio State University	60051959	23,024	-
Mental Health Research Grants	93.242	(2)			RMH100093B	(2)	-
Mental Health Research Grants	93.242		31,234	Pathways to Housing, Inc.	R01-R01MH10457	31,234	-
Mental Health Research Grants	93.242		29,380	Temple University	255791-TJU	29,380	-
Mental Health Research Grants	93.242		(3,296)	Columbia University	4-GG009422	(3,296)	-
Mental Health Research Grants	93.242		6,162	University Of North Carolina At Chapel	5110321	6,162	-
Mental Health Research Grants	93.242		46,659	University Of North Carolina At Chapel	5111516	46,659	-
Mental Health Research Grants	93.242		29,645	University Of North Carolina At Chapel	5111517	29,645	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	184,026			17TI80335A	184,026	-
Alcohol Research Programs	93.273	1,092,265				1,092,265	-
Alcohol Research Programs	93.273		(41)	University of Pittsburgh	0059011 130258-2	(41)	-
Alcohol Research Programs	93.273		7,346	University Of Colorado, Denver	FY19.580.001	7,346	-
Drug Abuse and Addiction Research Programs	93.279	532,244				532,244	102,435
Drug Abuse and Addiction Research Programs	93.279		13,995	University of Pennsylvania	572294	13,995	-

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Discovery and Applied Research for Technological Innovations to Improve Human Health	93-286	1,036,191				1,036,191	240,347
Discovery and Applied Research for Technological Innovations to Improve Human Health	93-286		41,481	University of Delaware	36010 39079	41,481	-
Minority Health and Health Disparities Research	93-307		25,211	Bright Outcomes, Inc.	MD01121TJU-01	25,211	-
Minority Health and Health Disparities Research	93-307		89,648	University Of Maryland	58016-Z0094201	89,648	-
Trans-NIH Research Support	93-310	137,296			RCA217714A	137,296	-
Trans-NIH Research Support	93-310		6,238	Duke Clinical Research Institute	2037670	6,238	-
Trans-NIH Research Support	93-310		365,956	University Of California, Los Angeles	1553 G VC548	365,956	-
Trans-NIH Research Support	93-310		573,297	University Of California, Los Angeles	1553 G VC548	573,297	-
Research Infrastructure Programs	93-351	30,043			ROD025323A	30,043	-
Research Infrastructure Programs	93-351		92,610	University of Pittsburgh	0044062 131449-1	92,610	-
21st Century Cures Act - Beau Biden Cancer Moonshot	93-353	(251)			RCA181204B	(251)	-
Nursing Research	93-361		85,274	Drexel University	800126	85,274	-
Nursing Research	93-361		22,816	Drexel University	800183	22,816	-
Nursing Research	93-361		21,285	Columbia University	G12607	21,285	-
Cancer Cause and Prevention Research	93-393	3,674,246				3,674,246	525,430
Cancer Cause and Prevention Research	93-393		8,218	Northwestern University	60047262 TJU	8,218	-
Cancer Detection and Diagnosis Research	93-394	1,906,473				1,906,473	518,455
Cancer Detection and Diagnosis Research	93-394		(6,654)	ImCare Biotech, LLC.	5-R44-CA165314-04	(6,654)	-
Cancer Detection and Diagnosis Research	93-394		46,045	Baruch S. Blumberg Institute	2027691	46,045	-
Cancer Detection and Diagnosis Research	93-394		(1,017)	JBS Science, Inc.	R43CA213610 TJU	(1,017)	-
Cancer Detection and Diagnosis Research	93-394		11,445	JBS Science, Inc.	R44CA165312-TJU	11,445	-
Cancer Treatment Research	93-395	1,360,367				1,360,367	73,802
Cancer Treatment Research	93-395		5,973	John Wayne Cancer Institute	P01Co29605	5,973	-
Cancer Treatment Research	93-395		11,166	NRG Oncology Foundation Inc.	TJU - YR. 1	11,166	-
Cancer Treatment Research	93-395		4,928	NRG Oncology Foundation Inc.	TKU-YR 2	4,928	-
Cancer Treatment Research	93-395		4,545	NRG Oncology Foundation Inc.	TJU - YR. 1	4,545	-
Cancer Treatment Research	93-395		1,584	NRG Oncology Foundation Inc.	TKU-YR 2	1,584	-
Cancer Treatment Research	93-395		314,698	NRG Oncology Foundation	U01-Subaward 16-M77	314,698	-
Cancer Treatment Research	93-395		25,525	George Washington University	16-M77	25,525	-
Cancer Treatment Research	93-395		5,098	Mayo Clinic	MCR-0126-CPN	5,098	-
Cancer Treatment Research	93-395		7,058	American College of Radiology Imaging Network	U10 CA180820-01-TJU1	7,058	-
Cancer Treatment Research	93-395		11,802	American College of Radiology Imaging Network	U10 CA180820-01-TJU2	11,802	-
Cancer Treatment Research	93-395		7,392	American College of Radiology Imaging Network	U10 CA180820-01-TJU3	7,392	-
Cancer Treatment Research	93-395		3,777	American College of Radiology Imaging Network	U10CA180820-01-TJU3	3,777	-
Cancer Treatment Research	93-395		24,655	American College of Radiology Imaging Network	U10CA180820-01-TJU3	24,655	-
Cancer Treatment Research	93-395		296	American College of Radiology Imaging Network	U10CA180820-01-TJU3	296	-
Cancer Treatment Research	93-395		11,080	American College of Radiology Imaging Network	U10CA180820-01-TJU3	11,080	-
Cancer Treatment Research	93-395		36,492	American College of Radiology Imaging Network	1UGCA189828-01-TJU1	36,492	-
Cancer Treatment Research	93-395		18,265	American College of Radiology Imaging Network	1UG1CA189828-01-TJU2	18,265	-
Cancer Treatment Research	93-395		1,392	NRG Oncology Foundation Inc.	TJU-Yr.1	1,392	-
Cancer Treatment Research	93-395		(1,092)	Children's Hospital of Philadelphia	27007-3200350618	(1,092)	-
Cancer Treatment Research	93-395		73,892	Johns Hopkins University	2002934121	73,892	-
Cancer Treatment Research	93-395		3,609	American College of Radiology Imaging Network	U10CA180820-01-TJU4	3,609	-
Cancer Treatment Research	93-395		19,627	Case Western Reserve University	RES513622	19,627	-
Cancer Treatment Research	93-395		100,725	NRG Oncology Foundation	1U01NS100699-01A1	100,725	-
Cancer Treatment Research	93-395		2,209	ECOG-ACRIN Cancer Research Group	CA180820	2,209	-
Cancer Treatment Research	93-395		2,473	NRG Oncology Foundation	U10CA180868	2,473	-
Cancer Biology Research	93-396	2,321,060				2,321,060	-
Cancer Biology Research	93-396		257,358	Wistar Institute	28993-06-359	257,358	-
Cancer Biology Research	93-396		591	ECOG-ACRIN Medical Research Foundation	U10CA180820	591	-
Cancer Biology Research	93-396		128,766	Lankenau Institute For Medical Research	06302-0872	128,766	-
Cancer Biology Research	93-396		9,342	Medical College of Wisconsin	5R01CA188575-05	9,342	-
Cancer Centers Support Grants	93-397	3,269,895				3,269,895	93,007
Cancer Centers Support Grants	93-397		72,446	Dana-Farber Cancer Institute	1205001	72,446	-
Cancer Centers Support Grants	93-397		2,980	Dana-Farber Cancer Institute	1204901	2,980	-

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Cancer Research Manpower	93-398	736,987				736,987	11,473
Cancer Control	93-399					45,047	-
Section 223 Demonstration Programs to Improve Community Mental Health Services	93-829		45,047	Frontier Science And Technology Research	NIH/NCI	45,047	-
Cardiovascular Diseases Research	93-829		5,673	New York Blood Center, Inc.	NYB1006906	5,673	-
Cardiovascular Diseases Research	93-837	7,457,945				7,457,945	1,419,101
Cardiovascular Diseases Research	93-837		7,107	Duke University	U10HL084904	7,107	-
Cardiovascular Diseases Research	93-837		11,011	Fox Chase Cancer Center	R42HL123126-TJUY2	11,011	-
Cardiovascular Diseases Research	93-837		4,242	Duke University	U10HL084904	4,242	-
Cardiovascular Diseases Research	93-837		9,165	Duke University	U10HL084904	9,165	-
Cardiovascular Diseases Research	93-837		126,345	Temple University	259830-TJU	126,345	-
Cardiovascular Diseases Research	93-837		539	Duke Clinical Research Institute	2037576	539	-
Cardiovascular Diseases Research	93-837		2,000	Duke Clinical Research Institute	2938081	2,000	-
Cardiovascular Diseases Research	93-837		1,750	Duke Clinical Research Institute	GR104842 CON-80001533	1,750	-
Cardiovascular Diseases Research	93-837		4,236	Duke Clinical Research Institute	2938081	4,236	-
Cardiovascular Diseases Research	93-837		1,250	Duke University	U01HL125511	1,250	-
Cardiovascular Diseases Research	93-837		35,960	Rhode Island Hospital	7017137444	35,960	-
Cardiovascular Diseases Research	93-837		11,385	Partners Healthcare	U01HL101422	11,385	-
Cardiovascular Diseases Research	93-837		3,490	Duke University	U01HL125511	3,490	-
Cardiovascular Diseases Research	93-RD		1,325	University of Michigan	HHSN268201100026C	1,325	-
Lung Diseases Research	93-838	1,934,814				1,934,814	589,848
Lung Diseases Research	93-838		145,214	Rutgers University	8303	145,214	-
Lung Diseases Research	93-838		150,978	Rutgers University	8301	150,978	-
Lung Diseases Research	93-838		177,880	Rutgers University	8302	177,880	118,991
Lung Diseases Research	93-838		176,615	Trustees of Boston University	4500002448	176,615	-
Lung Diseases Research	93-838		61,807	Fox Chase Chemical Diversity Center, Inc	R43HL140712-TJU	61,807	-
Blood Diseases and Resources Research	93-839	735,681				735,681	241,279
Blood Diseases and Resources Research	93-839		72,564	University of Utah	10046044-02	72,564	-
Blood Diseases and Resources Research	93-839		11,894	Rutgers University	MINT TRIAL	11,894	-
Blood Diseases and Resources Research	93-839		6,577	National Marrow Donor Program	1401	6,577	-
Blood Diseases and Resources Research	93-839		89,445	University Of Utah	10046396-01	89,445	-
Blood Diseases and Resources Research	93-839		160,256	Temple University	259058-TJU	160,256	-
Blood Diseases and Resources Research	93-839		20,896	University Of North Carolina At Chapel	5112902	20,896	-
Blood Diseases and Resources Research	93-839		19,584	Temple University	261194-01-TJU	19,584	-
Blood Diseases and Resources Research	93-839		2,031	University Of Texas MD Anderson Cancer C	3001000247	2,031	-
Blood Diseases and Resources Research	93-839		6,007	Temple University	263096-TJU	6,007	-
Arthritis, Musculoskeletal and Skin Diseases Research	93-846	4,510,399				4,510,399	490,925
Diabetes, Digestive, and Kidney Diseases Extramural Research	93-847	2,836,093				2,836,093	153,859
Diabetes, Digestive, and Kidney Diseases Extramural Research	93-847		25,787	Case Western Reserve University	NIH/NINDS	25,787	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93-847		2,550	Yale University	R01DK093770	2,550	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93-847		76,381	University of Wisconsin	R01DK099021	76,381	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853	6,331,006				6,331,006	180,748
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		22,409	Johns Hopkins University	U01 NS080824	22,409	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		18,627	Case Western Reserve University	RES513487	18,627	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		2,734	University of Pennsylvania	572247	2,734	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		784	Mayo Clinic Jacksonville	CREST-2 90054033	784	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		12,020	Case Western Reserve University	925-SUB	12,020	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		49,151	Cleveland Clinic Lerner College Of Medic	1154-SUB	49,151	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		70,265	University of Texas Southwest Medical Center	GMO170305	70,265	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93-853		2,000	University of Cincinnati	1U01NS100699-01A1	2,000	-
Allergy and Infectious Diseases Research	93-855	6,866,602				6,866,602	310,260
Allergy and Infectious Diseases Research	93-855		253,900	New York City Blood Center	NIH000478	253,900	-
Allergy and Infectious Diseases Research	93-855		43,834	University of Pennsylvania	566179	43,834	-
Allergy and Infectious Diseases Research	93-855		(14,112)	Duke University	2034061	(14,112)	-
Allergy and Infectious Diseases Research	93-855		137,288	Duke University	2037316	137,288	-
Allergy and Infectious Diseases Research	93-855		59,535	University of Alabama	000508848-SC001	59,535	-
Allergy and Infectious Diseases Research	93-855		28,812	University of Maryland	1600898	28,812	-
Allergy and Infectious Diseases Research	93-855		164,374	University of Pennsylvania	566950	164,374	-
Allergy and Infectious Diseases Research	93-855		16,498	University Of North Carolina At Chapel	5112432	16,498	-
Allergy and Infectious Diseases Research	93-855		17,653	University Of Alabama at Birmingham	000521324-003	17,653	-

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Biomedical Research and Research Training	93.859	5,978,031				5,978,031	350,326
Biomedical Research and Research Training	93.859		(13,094)	University of Pennsylvania	569058	(13,094)	-
Biomedical Research and Research Training	93.859		(96)	Health Research Inc.	5064-01	(96)	-
Biomedical Research and Research Training	93.859		20,167	Columbia University	GG009461	20,167	-
Child Health and Human Development Extramural Research	93.865	952,695				952,695	519,412
Child Health and Human Development Extramural Research	93.865		42,084	Stanford University	61479225-105015	42,084	15,245
Child Health and Human Development Extramural Research	93.865		128,149	Stanford University	62039006-105015	128,149	11,895
Child Health and Human Development Extramural Research	93.865		30,205	Albert Einstein Health Network	492701	30,205	-
Aging Research	93.866	1,011,553				1,011,553	218,348
Aging Research	93.866		252,272	Wake Forest University	WFUHS110879	252,272	10,576
Aging Research	93.866		32,258	Wake Forest University	WFUHS330098	32,258	-
Aging Research	93.866		44,172	The Trustees of The University of PA	571937	44,172	-
Vision Research	93.867	1,740,145				1,740,145	505,878
Vision Research	93.867		166,258	University of Pennsylvania	568655 10052026 19393	166,258	-
International Research and Research Training	93.989	192,199			RTW010609A	192,199	129,717
Advanced Development of Multivalent Vaccine Candidates for Filovirus and Lassa Lever	93.RD	3,493,933				3,493,933	2,486,014
Clinical Proteomic tumor analysis consortium (CPTAC) phase III	93.RD		16,448	Leidos Corporation	HHSN261200800001E	16,448	-
Development of a Prophylactic Onchocerciasis Vaccine	93.RD		27,741	Pai Life Sciences Inc.	HHSN272201600037C	27,741	-
Phase II trial of E75 peptide vaccine in women with DCIS of the breast	93.RD		8,919	University Of Texas MD Anderson Cancer C	3001001070	8,919	-
Phase I Double-Blind, Placebo-Controlled Trial of 27 mg Dolcanatide (SP-333)	93.RD		238,185	Mayo Clinic	MCR-0147-CPN	238,185	-
Total National Institutes of Health		61,356,212	6,182,338			67,538,550	9,317,371
Food and Drug Administration							
Food and Drug Administration Research	93.103		20,982	University Of North Carolina At Chapel	5112238	20,982	-
Total Food and Drug Administration			20,982			20,982	-
Centers for Disease Control							
Disabilities Prevention	93.184	-	4,721	Children's Hospital of Philadelphia	8901210918	4,721	-
Disabilities Prevention	93.184	-	15,108	Children's Hospital of Philadelphia	8901210919	15,108	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	-	75,254	Wills Eye Hospital	CDC14086	75,254	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	-	16,129	Nationalities Service	1U50CK00459-NSC-81	16,129	-
PPHF2018-National Organization for Chronic Disease Prevention and Health Promotion-financed in part by 2018 Prevention and Public Health Funds	93.437	-	11,772	City Of Philadelphia - DOPH	1422	11,772	-
Total Centers for Disease Control			122,984			122,984	-
Administration for Community Living							
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		44,405	Health Promotion Council	2300091802	44,405	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	450,926				450,926	71,306
Total Administration for Community Living		450,926	44,405			495,331	71,306
Agency for Healthcare Research and Quality Healthcare Research							
Research on Healthcare Costs, Quality and Outcomes	93.226	448,600				448,600	188,016
Research on Healthcare Costs, Quality and Outcomes	93.226		17,534	University of Pennsylvania	565595	17,534	-
Research on Healthcare Costs, Quality and Outcomes	93.226		47,752	Children's Hospital of Philadelphia	3200220120	47,752	-
Total of CFDA 93.226		448,600	65,286			513,886	188,016
Total Agency for Healthcare Research and Quality Healthcare Research		448,600	65,286			513,886	188,016

The accompanying notes are an integral part of this schedule

Thomas Jefferson University
Schedule of Expenditures of Federal Awards
June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Health Resources and Services Administration							
Maternal and Child Health Federal Consolidated Programs	93.110		(337)	Children's Hospital of Philadelphia	27007-3209610518	(337)	-
Maternal and Child Health Federal Consolidated Programs	93.110		13,882	Children's Hospital of Philadelphia	27007-3209610519	13,882	-
Maternal and Child Health Federal Consolidated Programs	93.110		1,246	Children's Hospital of Philadelphia	27007-3209610520	1,246	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth Centers of Excellence	93.153		152,126	Mazzoni Center	H12HA24852-08	152,126	-
Nurse Education, Practice Quality and Retention Grants	93.157		122,361	Geisinger Commonwealth School Of Medicin	211019-TJU	122,361	-
Health Careers Opportunity Program	93.359		(2,754)	Lewis and Clark Community College	1UD7HP28529-01-00	(2,754)	-
Grants for Primary Care Training and Enhancement	93.822		6,639	Repro Inc	HSSH250201500020G	6,639	-
Special Projects of National Significance	93.928	571,166				571,166	-
Primary Care Medicine and Dentistry Clinician Educator Career Development Awards Program	93.976	136,299	20,443	The Pennsylvania State University	TJUH97HA288893 CDA17	20,443 136,299	- -
Total Health Resources and Services Administration		<u>707,465</u>	<u>313,606</u>			<u>1,021,071</u>	<u>-</u>
Assistant Secretary for Preparedness and Response							
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		10,688	Commonwealth of Pennsylvania	SAP 4100070353	10,688	-
Total of CFDA 93.817		<u>-</u>	<u>10,688</u>			<u>10,688</u>	<u>-</u>
Total Assistant Secretary for Preparedness and Response		<u>-</u>	<u>10,688</u>			<u>10,688</u>	<u>-</u>
Centers for Medicare and Medicaid Services							
Environmental Literature Review	93.RD		16,064	Quality Insights of Pennsylvania	HHSM-500-2013-00177C	16,064	-
Electronic Clinical Quality Measures (eCQM) Development and Maintenance for Eligible Professionals	93.RD		20,929	Quality Insights of Pennsylvania	HHSA-500-2013-13011I	20,929	-
Total Centers for Medicare and Medicaid Services		<u>-</u>	<u>36,993</u>			<u>36,993</u>	<u>-</u>
Total Department of Health and Human Services		<u>62,963,203</u>	<u>6,797,282</u>			<u>69,760,485</u>	<u>9,576,693</u>
DEPARTMENT OF DEFENSE							
Military Medical Research and Development	12.420	2,916,045				2,916,045	184,563
Military Medical Research and Development	12.420		31,291	Henry H Jackson Foundation	3590	31,291	-
Military Medical Research and Development	12.420		(894)	Sloan-Kettering Institute for Cancer Research	BD518359B	(894)	-
Military Medical Research and Development	12.420		(922)	Duke University	3130612	(922)	-
Military Medical Research and Development	12.420		85,282	University of Miami	SPC000696	85,282	-
Military Medical Research and Development	12.420		33,374	The Feinstein Institute for Medical Res	500717JEFFERSON	33,374	-
Military Medical Research and Development	12.420		219,211	Icahn School of Medicine at Mount Sinai	0258-0981-4609	219,211	-
Military Medical Research and Development	12.420		26,803	Christopher Reeve Paralysis Foundation	CTN12/2019(JH)	26,803	-
Military Medical Research and Development	12.420		9,838	Christopher Reeve Paralysis Foundation	CTN12/2019(JH)	9,838	-
Research and Technology Development	12.910		38,986	University of Pennsylvania	569456	38,986	-
Total Department of Defense		<u>2,916,045</u>	<u>442,969</u>			<u>3,359,014</u>	<u>184,563</u>
DEPARTMENT OF ENERGY							
Conservation Research and Development	81.086		203,359	Virginia Polytechnic Institute & State University	429367-19406	203,359	-
Total Department of Energy		<u>-</u>	<u>203,359</u>			<u>203,359</u>	<u>-</u>

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
NATIONAL SCIENCE FOUNDATION							
Engineering Grants	47.041	24,284				24,284	-
Engineering Grants	47.041		11,265	Rensselaer Polytechnic Institute	A12020	11,265	-
Biological Sciences	47.074	7,305				7,305	-
Smart Lighting and Human Health: Data Sharing Project	47.RD		390	Rensselaer Polytechnic Institute	DATA SHARING PROJ	390	-
Total National Science Foundation		<u>31,589</u>	<u>11,655</u>			<u>43,244</u>	<u>-</u>
DEPARTMENT OF AGRICULTURE							
Agriculture and Food Research Initiative (AFRI)	10.310	2,256				2,256	-
Total Department of Agriculture		<u>2,256</u>	<u>-</u>			<u>2,256</u>	<u>-</u>
DEPARTMENT OF TRANSPORTATION							
Highway Research and Development Program	20.200		49,236	Virginia Polytechnic Institute	HR-05-23 UNIT 905	49,236	-
Total Department of Transportation		<u>-</u>	<u>49,236</u>			<u>49,236</u>	<u>-</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
Lighting Protocols for Exploration - HERA Campaign	43.RD		2,274	Brigham and Women's Hospital	112643	2,274	-
Total National Aeronautics and Space Administration		<u>-</u>	<u>2,274</u>			<u>2,274</u>	<u>-</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		<u>65,913,093</u>	<u>7,506,774</u>			<u>73,419,868</u>	<u>9,761,255</u>
WIOA Cluster							
DEPARTMENT OF LABOR							
WIOA Adult Program	17.258		60,072	Philadelphia Works Inc.	VS19-060	60,072	-
WIOA Adult Program	17.258		97,987	Philadelphia Works Inc.	TF18-130	97,987	-
WIOA Adult Program	17.258		329,293	Philadelphia Works Inc.	TF18-115	329,293	-
Total of CFDA 17.258		<u>-</u>	<u>487,352</u>			<u>487,352</u>	<u>-</u>
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		162,080	Philadelphia Works Inc.	PW19-066	162,080	-
Total of CFDA 17.280		<u>-</u>	<u>162,080</u>			<u>162,080</u>	<u>-</u>
Total Department of Labor		<u>-</u>	<u>649,432</u>			<u>649,432</u>	<u>-</u>
TOTAL WIOA CLUSTER		<u>-</u>	<u>649,432</u>			<u>649,432</u>	<u>-</u>
Other Sponsored Programs							
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
Exploration	43.003	171,146				171,146	149,819
Total of CFDA 43.003		<u>171,146</u>	<u>-</u>			<u>171,146</u>	<u>149,819</u>
Total National Aeronautics and Space Administration		<u>171,146</u>	<u>-</u>			<u>171,146</u>	<u>149,819</u>

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
DEPARTMENT OF JUSTICE							
U.S. District Court							
Federal Probation/Parole Contract Solicitation	16.UOI	2,544	-			2,544	-
Total of CFDA 16.UOI		<u>2,544</u>	<u>-</u>			<u>2,544</u>	<u>-</u>
Total Department of Justice		<u>2,544</u>	<u>-</u>			<u>2,544</u>	<u>-</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Health Resources and Services Administration							
AIDS Education and Training Centers Program	93.145	-	238,850	Columbia University	4(GG014905-01)	238,850	-
Total of CFDA 93.145		<u>-</u>	<u>238,850</u>			<u>238,850</u>	<u>-</u>
HIV Emergency Relief Project Grants	93.914	-	151,667	City of Philadelphia	17-20691,RW8336	151,667	-
HIV Emergency Relief Project Grants	93.914	-	75,112	City of Philadelphia	17-20691,RW9336	75,112	-
HIV Emergency Relief Project Grants	93.914	-	312,713	City of Philadelphia	R8582	312,713	290,288
HIV Emergency Relief Project Grants	93.914	-	129,620	City of Philadelphia	R8584	129,620	119,856
HIV Emergency Relief Project Grants	93.914	-	61,988	City of Philadelphia	RS8583	61,988	-
HIV Emergency Relief Project Grants	93.914	-	150,096	City of Philadelphia	RW9582	150,096	137,300
HIV Emergency Relief Project Grants	93.914	-	53,026	City of Philadelphia	RW9584	53,026	48,647
HIV Emergency Relief Project Grants	93.914	-	13,997	City of Philadelphia	RS9583	13,997	-
Total of CFDA 93.914		<u>-</u>	<u>948,219</u>			<u>948,219</u>	<u>596,091</u>
Maternal and Child Health Services Block Grant to the States	93.994	-	3,106	AccessMatters	180401	3,106	-
Total of CFDA 93.994		<u>-</u>	<u>3,106</u>			<u>3,106</u>	<u>-</u>
Total Health Resources and Services Administration		<u>-</u>	<u>1,190,175</u>			<u>1,190,175</u>	<u>596,091</u>
Centers for Disease Control							
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	-	11,210	AccessMatters	180403	11,210	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	-	6,138	AccessMatters	181001	6,138	-
Total of CFDA 93.283		<u>-</u>	<u>17,348</u>			<u>17,348</u>	<u>-</u>
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds	93.426	-	46,728	Commonwealth of Pennsylvania	1920563	46,728	-
Total of CFDA 93.426		<u>-</u>	<u>46,728</u>			<u>46,728</u>	<u>-</u>
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds	93.435	-	65,924	City Of Philadelphia - DOPH	Contract No 1920560	65,924	-
Total of CFDA 93.435		<u>-</u>	<u>65,924</u>			<u>65,924</u>	<u>-</u>
Surveillance for Diseases Among Immigrants and Refugees financed in part by Prevention and Public Health Funds (PPHF)	93.755	-	8,503	Colorado Department Of Public Health	5NU50CK000475-02-00	8,503	-
Total of CFDA 93.755		<u>-</u>	<u>8,503</u>			<u>8,503</u>	<u>-</u>
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	-	36,217	Health Care Improvement Foundation	1422	36,217	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	-	42,303	Health Care Improvement Foundation	1520517	42,303	-
Total of CFDA 93.757		<u>-</u>	<u>78,520</u>			<u>78,520</u>	<u>-</u>

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Schedule of Expenditures of Federal Awards

June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	-	(2,966)	Healthcare Improvement Foundation	SAP #4100053824	(2,966)	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	-	121,783	Healthcare Improvement Foundation	SAP #4100053824	121,783	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	-	(274)	Health Care Improvement Foundation	SAP #4100069641	(274)	-
Total of CFDA 93.758		-	<u>118,543</u>			<u>118,543</u>	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	-	14,133	AccessMatters	190403	14,133	-
Total of CFDA 93.898		-	<u>14,133</u>			<u>14,133</u>	-
Total Centers for Disease Control		-	<u>349,699</u>			<u>349,699</u>	-
Indian Health Service							
Indian Health Service, Health Management Development Program	93.228	-	9,287	Pine Ridge Hospital	IPA Phillips	9,287	-
Total of CFDA 93.228		-	<u>9,287</u>			<u>9,287</u>	-
Total Indian Health Service		-	<u>9,287</u>			<u>9,287</u>	-
Assistant Secretary for Preparedness and Response							
National Bioterrorism Hospital Preparedness Program	93.889	51,236	-			51,236	-
National Bioterrorism Hospital Preparedness Program	93.889	66,497	-			66,497	-
National Bioterrorism Hospital Preparedness Program	93.889	-	31,315	Atox Bio Ltd	HHSO1002014000013C	31,315	-
Total of CFDA 93.889		<u>117,733</u>	<u>31,315</u>			<u>149,048</u>	-
Total Assistant Secretary for Preparedness and Response		<u>117,733</u>	<u>31,315</u>			<u>149,048</u>	-
Substance Abuse and Mental Health Services Administration							
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	18,972	-		15TI26009A	18,972	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	2,772	Commonwealth of Pennsylvania	SM58386	2,772	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	288,778	Commonwealth of Pennsylvania	1U79SM061750-01	288,778	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	69,505	Pathways to Housing, Inc.	1H79SM062310-03	69,505	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	18,167	Project H.O.M.E., Ltd.	1H79TI081611-01	18,167	-
Total of CFDA 93.243		<u>18,972</u>	<u>379,222</u>			<u>398,194</u>	-
Drug-Free Communities Support Program Grants	93.276	-	6,318	United Communities Southeast Philadelphia	5H79SP020451-05	6,318	-
Drug-Free Communities Support Program Grants	93.276	-	(30)	United Communities Southeast Philadelphia	5H79SP020451-04	(30)	-
Total of CFDA 93.276		-	<u>6,288</u>			<u>6,288</u>	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	261,168	City of Philadelphia	13-20512	261,168	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	384,550	City of Philadelphia	13-20511	384,550	-
Total of CFDA 93.959		-	<u>645,718</u>			<u>645,718</u>	-
Total Substance Abuse and Mental Health Services Administration		<u>18,972</u>	<u>1,031,228</u>			<u>1,050,200</u>	-
Office of Population Affairs							
Family Planning Services	93.217	-	6,951	AccessMatters	180401	6,951	-
Family Planning Services	93.217	-	17,500	AccessMatters	180402	17,500	-
Family Planning Services	93.217	-	7,500	AccessMatters	200401	7,500	-
Total of CFDA 93.217		-	<u>31,951</u>			<u>31,951</u>	-
Total Office of Population Affairs		-	<u>31,951</u>			<u>31,951</u>	-

The accompanying notes are an integral part of this schedule

Thomas Jefferson University
Schedule of Expenditures of Federal Awards
June 30, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Subrecipients
Administration for Children and Families							
Social Services Block Grant	93.667	-	2,446	AccessMatters	180401	2,446	-
Social Services Block Grant	93.667	-	4,972	AccessMatters	190401	4,972	-
Total of CFDA 93.667		<u>-</u>	<u>7,418</u>			<u>7,418</u>	<u>-</u>
Total Administration for Children and Families		<u>-</u>	<u>7,418</u>			<u>7,418</u>	<u>-</u>
Total Department of Health and Human Services		136,705	2,651,073			2,787,777	596,091
TOTAL OTHER SPONSORED PROGRAMS		<u>310,395</u>	<u>2,651,073</u>			<u>2,961,467</u>	<u>745,910</u>
TOTAL FEDERAL AWARD EXPENDITURES		<u>204,881,650</u>	<u>10,807,280</u>			<u>215,688,930</u>	<u>10,507,166</u>

The accompanying notes are an integral part of this schedule

Thomas Jefferson University

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

1. Reporting Entity

Thomas Jefferson University (“Jefferson” or the “University”) is an independent, non-profit corporation organized under the laws of the Commonwealth of Pennsylvania and recognized as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The University has a tripartite mission of education, research, and patient care. On September 9, 2016, Jefferson entered into a “University Combination Agreement” (the Agreement) with Philadelphia University, which at the time was an independent, non-profit corporation organized under the laws of the Commonwealth of Pennsylvania and recognized as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, and which operated a coeducational institution. On July 1, 2017 the parties consummated the transaction contemplated by the Agreement, with Philadelphia University amending and restating its Articles of Incorporation to become a membership corporation with Jefferson as its sole member. Although there remain two non-profit corporations, with the Jefferson as the sole corporate member of Philadelphia University, the July 1, 2017 transaction resulted in the combination of the two postsecondary educational institutions into a single postsecondary education institution operating as Thomas Jefferson University.

The University conducts research and offers undergraduate and graduate instruction through the Sidney Kimmel Medical College, the Jefferson Colleges of Nursing, the Jefferson College of Pharmacy, the Jefferson College of Health Professions, the Jefferson College of Population Health, the Jefferson College of Biomedical Sciences, and the Kanbar College of Design, Engineering and Commerce, the School of Continuing and Professional Studies, the College of Architecture and the Built Environment, and the College of Science, Health, and Liberal Arts. The combined institution has approximately 6,800 students and is located in Philadelphia, Pennsylvania, with additional campus locations in the Greater Philadelphia Region and Atlantic City, New Jersey.

For the year ended June 30, 2019, the integrated healthcare organization included TJUH System (“TJUHS”), Abington Health (“Abington”), Aria Health System (“Aria”), Kennedy Health System (“Kennedy”), and Magee Rehabilitation Hospital (“Magee”). The integrated healthcare organization provides inpatient, outpatient, and emergency care services through acute care, ambulatory care, rehabilitation care, physician and other primary care services for residents of the Greater Philadelphia Region. Federal Identification Numbers for reporting entities included in this report are 23-1352651 for TJU, 23- 2829095 for Thomas Jefferson University Hospital, 23-1352152 for Abington Memorial Hospital, 23-0596940 for Aria Health System, 23-1352294 for Philadelphia University, and 22-1773439 for Kennedy University Hospital, Inc.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents a summary of certain activities of the University for the year ended June 30, 2019. Negative amounts represent current year adjustments of amounts reported in prior years. CFDA and pass through entity numbers are included when available. The information in this schedule is presented in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements of the University.

Thomas Jefferson University
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

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

3. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Expenditures include a portion of costs associated with general university activities which are allocated to awards under negotiated formulas commonly referred to as facilities and administrative cost rates.

Expenditures for certain non-student financial aid awards include indirect costs. The University generally applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

Expenditures for federal student financial aid programs are recognized as incurred and include Federal Pell program grants to students, the federal share of students' FSEOG program grants, Federal Work-Study program earnings, loans to students under federally guaranteed programs and certain other federal financial assistance grants for students and administrative cost allowances, where applicable.

Expenditures for other federal awards of the University are determined using the cost accounting principles and procedures set forth in the Uniform Guidance. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

4. Student Loan Programs

The Federal student loan programs listed below are administered directly by the University and balances and transactions relating to these programs are included in the University's consolidated financial statements. Loans outstanding at the beginning of the year, the administrative cost allowance and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019 consists of:

	CFDA #	Loan Balance
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	\$ 862,337
Nursing Student Loans	93.364	1,377,226
Perkins Loan Programs	84.038	4,245,349

5. Federal Direct Loan Program (FDLP)

During the fiscal year ended June 30, 2019 the University processed new loans to students under the Direct Student Loan Program CFDA # 84.268, which includes subsidized and unsubsidized Stafford Loans and Supplemental Loans for Students. The University is responsible only for the performance of certain administrative duties with respect to the FDLP and, accordingly, these loans are not included in the University's basic consolidated financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. It is not practical to determine the balance of loans outstanding under these programs at June 30, 2019.

II. Reports on Internal Controls and Compliance



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

To the Board of Trustees
Thomas Jefferson University:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Thomas Jefferson University and its subsidiaries (the "University"), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of operations and changes in net assets without donor restrictions, of changes in net assets, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2019, which includes an emphasis of matter paragraph as the University changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

Pineatohouse Coopers LLP
Philadelphia, Pennsylvania
October 28, 2019



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees
Thomas Jefferson University:

Report on Compliance for Each Major Federal Program

We have audited Thomas Jefferson University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 10 "Gramm-Leach-Bliley Act-Student Information Security." This section includes three suggested audit procedures with respect to verification that the institution (1) designated an individual to coordinate the information security program, (2)



performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-01, 2019-02, and 2019-03. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 25, 2020

III. Findings and Questioned Costs

**Thomas Jefferson University
Federal Awards
Schedule of Findings and Questioned Costs
June 30, 2019**

I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	<u> X </u> yes	_____ no
---	------------------	----------

Identification of major programs CFDA Number(s): Various 93.914 Dollar threshold used to distinguish between type A and type B programs:	Name of Federal and City Program or Cluster Student Financial Assistance Cluster HIV Emergency Relief Project Grants \$3,000,000
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

Section II – Financial Statement Findings

There are no matters to report.

**Thomas Jefferson University
Federal Awards
Schedule of Findings and Questioned Costs
June 30, 2019**

Section III – Federal Award Findings and Questioned Costs

Finding 2019-01 Verification

Grantor: Department of Education
Program: Student Financial Assistance Cluster
CFDA#: 84.268
Title: Federal Direct Student Loans
Award Year: 7/2018 – 6/2019

Criteria

24 CFR 668.56(b): For each applicant whose FAFSA information is selected for verification by the Secretary, the Secretary specifies the specific information that the applicant must verify.

24CFR 668.57: If an applicant is selected to verify any of the following information, an institution must obtain the specified documentation:

- (a) Adjusted Gross Income (AGI), income earned from work, or U.S. income tax paid. (1) Except as provided in paragraphs (a)(2), (a)(3), and (a)(4) of this section, an institution must require an applicant selected for verification of AGI, income earned from work or U.S. income tax paid to submit to it a copy of the income tax return or an Internal Revenue Service (IRS) form that lists tax account information of the applicant, his or her spouse, or his or her parents, as applicable for the specified year.

Condition

Of 25 selections tested for verification procedures at the East Falls location, two instances were noted in which both students' U.S. Income Taxes Paid and/or AGI per the ISIRs did not agree to the amounts included on the subsequently obtained tax returns. In both instances, management did not update the information prior to awarding and disbursing Federal Aid to the students.

Cause

Management calculated aid eligibility based off the ISIR data, which was submitted without the use of the data retrieval tool.

Effect

The calculation of the student's eligibility for Federal Aid was determined with incorrect tax data. However, the misstatement of AGI and tax paid for the students would not have changed the amount of aid received.

Questioned Costs

None.

Recommendation

Management should enhance the monitoring control in place for review of verification procedures being completed timely. The enhanced control should include a second level of review to ensure that all students selected for verification procedures have been verified accurately and timely, as evidenced by reviewed signoff and date of review. This process should include monitoring controls over verification of students that do not use the IRS data retrieval tool.

Management's View and Corrective Action Plan

Following these findings are management's view and corrective action plan.

Thomas Jefferson University
Federal Awards
Schedule of Findings and Questioned Costs
June 30, 2019

Finding 2019-02 Enrollment Reporting

Grantor: Department of Education
Program: Student Financial Assistance Cluster
CFDA#: 84.268
Title: Federal Direct Student Loans
Award Year: 7/2018 – 6/2019

Criteria

OMB No. 1845-0035; Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309

Schools are required to confirm and report to the National Student Loan Data System (NSLDS) the enrollment status of students who receive Federal student loans. Enrollment information is used to determine the borrower's eligibility for in-school status, deferment, interest subsidy, and grace period. Enrollment changes, such as a change from full-time to half-time status, graduation, withdrawal, or an approved leave of absence, are changes that need to be reported. The enrollment information is merged into the NSLDS database and reported to guarantors, lenders, and servicers of student loans. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition

From the population of students receiving federal funds that had a change in their status during the current fiscal year for the East Falls and Center City campuses, 25 were selected for testing from each (50 total samples). During compliance testing to ensure students' change in status were properly and timely reported to the National Student Loan Data System (NSLDS), 17 exceptions (68%) and 23 exceptions (92%) were noted at the East Falls and Center City campuses, respectively. In such instances, the number of days between the student's status change and the date the change was reported to NSLDS exceeded the allowable days. The average days late for the East Falls and Center City campuses were 189 and 124, respectively.

Cause

Management migrated financial aid systems for the East Falls campus from Colleague to Banner during the fiscal year. As part of the systems conversion, certain student status changes were missed as part of the normal process for enrollment reporting.

For both Center City and East Falls campuses, current business processes did not have a process in place to identify and timely correct upload issues between NSC and NSLDS. As such, management's current process does not ensure information transmitted to NSC is actually uploaded to NSLDS.

Effect

Lack of timely reporting of changes in student enrollment status result in late starting of grace periods for federal student loans, and late starting of repayment if the student has previously used up their loan grace period. Lack of timely reporting of changes in student enrollment could also impact the amount of aid a student is entitled to receive.

Questioned Costs

None.

Thomas Jefferson University
Federal Awards
Schedule of Findings and Questioned Costs
June 30, 2019

Recommendation

Management should enhance the processes in place related to student status change reporting to the NSLDS through the National Student Clearinghouse (NSC) to ensure timely reporting. Management should work with the registrars and financial aid offices to outline a policy clarifying the accountability of the various units within the University and specify reporting deadlines. Management should implement a process to reconcile the enrollment status reports sent to NSC with the student data ultimately being transmitted to NSLDS.

Management's View and Corrective Action Plan

Following these findings are management's view and corrective action plan.

Thomas Jefferson University
Federal Awards
Schedule of Findings and Questioned Costs
June 30, 2019

Finding 2019-03 Return of Title IV Funds

Grantor: Department of Education
Program: Student Financial Assistance Cluster
CFDA#: 84.268
Title: Federal Direct Student Loans
Award Year: 7/2018 – 6/2019

Criteria

34 CFR 668.21(b): The institution must return those funds for which it is responsible under paragraph (a) of this section to the respective title IV, HEA program as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance.

Condition

Of 10 selections tested for return of Title IV funds at the East Falls location, one instance was noted where the University did not return the proper amount of funding within 30 days of becoming aware that the student did not attend classes for the semester. The University initially calculated and returned funds based on 1 day of attendance and later corrected the calculation to 0 days.

Cause

Management calculated the refund based on 1 day of attendance rather than zero.

Effect

The amount of the refund was initially \$50 less than it should have been. This was corrected and the full refund was issued at the end of the semester.

Questioned Costs

None.

Recommendation

Management should enhance the control in place for review return of Title IV fund calculations. The enhanced control should include a second level of review to ensure that all inputs to the calculation have been verified, as evidenced by reviewed signoff and date of review.

Management's View and Corrective Action Plan

Following these findings are management's view and corrective action plan.

Thomas Jefferson University
Federal Awards
Summary Schedule of Prior Audit Findings
June 30, 2019

Section III – Federal Award Findings and Questioned Costs

There are no findings from prior years that require an update in this report.

**Thomas Jefferson University
Management View and Corrective Action Plan
Year Ended June 30, 2019**

2019-001: Verification

Management's view and corrective action plan:

1. Management concurs that eligibility was calculated using an ISIR for which the IRS Data Retrieval Transfer (DRT) Tool was not used by the filer. The primary control management will put in place is a more stringent "encouragement" for FAFSA filers to use the IRS DRT process when they complete the initial FAFSA filing. Management will continue to encourage use of the DRT in our communications to the students prior to filing the FAFSA each year. This alone will ensure that awards are more frequently calculated on actual IRS data. Stronger encouragement of the IRS DRT process may actually in turn reduce the volume of those selected for verification as income is the most frequent item reviewed.
2. Since not all students/parents are able or chose to use the IRS DRT process on the FAFSA, some will need to submit paper tax transcripts, tax return copies, and other documentation as part of verification. Therefore the verification process will include a two person "touch" on completed verification reviews.
 - a. One "touch" is the person performing the review,
 - b. Second "touch" is a follow up review by another FA person and will be documented in the student's file.

Implementation date: April 2020

2019-002: Enrollment Reporting

Management's view and corrective action plan:

Management acknowledges the accuracy and timeliness issues related to enrollment reporting were the result of changes in personnel, business processes and systems during FY2019. The University received NSLDS non-compliance letters in November 2019. During this time it was noted that changes in business process from our third-party service provider, NSC to NSLDS caused a number of error from NSLDS. It was at this time that the University leadership, the Office of Academic Services (including the East Falls Registrar's Office) put in place direct reporting to NSLDS. This corrective process followed a two-step process:

December 2019 – September 2020

- The University can now see exactly what information is being sent to NSLDS from the integrated Banner student information system
- NSLDS immediately sends the University an error report upon receipt of enrollment from University.
- Those errors were immediately corrected and the enrollment was immediately resubmitted back to NSLDS. (NSC currently reports only twice a month to NSLDS).
- Registrars will be granted access to NSLDS from Financial Aid personnel. Registrars was able to update a student's enrollment information immediately following a change of student enrollment status in Banner. This created enhanced consistency in Banner and NSLDS records.
- Enrollment reporting from the University to NSLDS occurred on a monthly basis to stay in compliance with NSLDS 60 day reporting requirements.

The direct reporting to NSLDS began in December of 2019 with the end of the Fall 2019 semester. Spring 2020 enrollment has been reported following the above process.

Fall 2020 – Going Forward

The National Student Clearinghouse provides a number of resources for the Office of the Registrar to increase the efficiency of supporting student enrollment. Two services directly impacted the direct reporting to NSLDS. They are as follows:

- Enrollment verifications to third party requestors
- Degree verifications to third party requestors

These services are not available unless TJU reports enrollments to NSLDS through the NSC.

During the late Spring and Summer of 2020 TJU met several times with NSC to discuss the previous mentioned challenges. The conversations led to the following:

- A two hour retraining of the NSC enrollment reporting platform
- A technical designee from the NSC to work one-on-one with TJU submissions
- A rescheduling of enrollment reporting for the 2020-2021 Academic Year allowing for reporting overlaps to ensure consistent communication to NSLDS.

Reporting to the NSC will resume on October 1, 2020 for the Fall 2020 semester with enrollments being sent every month. The following semesters, NSLDS audits will continue as outlined above.

2019-003: Return of Title IV Funds

Management's view and corrective action plan:

Management acknowledges that enhanced controls are necessary for return of Title IV fund calculations. Refund calculation procedures will include a second level of review to ensure that all inputs to the calculation have been verified. This review will be evidenced by dated signoff by the reviewer.

Implementation date: May 2020

Raelynn Cooter, PhD

Raelynn Cooter, PhD

Vice Provost for Academic Infrastructure and Effectiveness

IV. Supplementary Information

Schedule of Expenditures of Federal Awards Supplementary Schedules

Thomas Jefferson University
Federal Awards
Schedule of Expenditures of Federal Awards Supplementary Schedules
Year Ended June 30, 2019

Schedule of Expenditures of Commonwealth of Pennsylvania Awards

<u>Award</u>	<u>CFDA</u>	<u>Federal Funding Received in FY</u>	<u>Accrued Federal Revenue at Beginning of FY</u>	<u>Federal Revenue Recognized in FY</u>	<u>Accrued Federal Revenue at End of FY</u>
Department of Health:					
1920563	93.426	-	-	46,728	46,728
SAP #4100070353	93.817	30,000	729,969	10,688	740,657
		<u>30,000</u>	<u>729,969</u>	<u>57,415</u>	<u>787,384</u>
Department of Human Services:					
SM58386	93.243		90,178	2,772	92,950
5 U79 SM061750-04	93.243	306,213	872,344	288,778	1,161,122
		<u>306,213</u>	<u>962,522</u>	<u>291,551</u>	<u>1,254,073</u>
Total Commonwealth of Pennsylvania		<u>336,213</u>	<u>1,692,491</u>	<u>348,966</u>	<u>2,041,457</u>

Thomas Jefferson University
Federal Awards
Schedule of Expenditures of Federal Awards Supplementary Schedules
Year Ended June 30, 2019

Schedule of Expenditures of State of New Jersey Awards

<u>State Grantor/Program</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Total Expenditures</u>	<u>Passed to Subrecipients</u>
State of New Jersey Department of Health and Senior Services				
Hyacinth AIDS Foundation	AIDS19CTR024	07/18 - 06/19	580,303	580,303
OMMH: Community Health Disparity Prevention 2019	DCHS19HDP063	07/18 - 06/19	50,000	50,000
HIV/Aids Care and Treatment - Non-Medical Case Management	AIDS19CTR013	07/18 - 06/19	94,174	84,830
HIV/Aids Care and Treatment - Mental Health	AIDS19CTR013	07/18 - 06/19	126,675	114,973
HIV/Aids Care and Treatment - Medical Case Management	AIDS19CTR013	07/18 - 06/19	281,753	269,997
HIV/Aids Care and Treatment - Outreach	AIDS19CTR013	07/18 - 06/19	67,356	61,690
HIV/Aids Care and Treatment - Copayment/Deductibles	AIDS19CTR013	07/18 - 06/19	6,368	6,368
HIV/Aids Care and Treatment - Nutrition Therapy	AIDS19CTR013	07/18 - 06/19	28,812	2,093
Total State of New Jersey Department of Health and Senior Services			<u>1,235,441</u>	<u>1,170,254</u>