

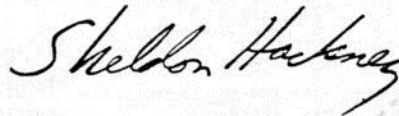
Higher Education: Spirals of Change

By any number of standards, the 1986-87 academic year was a year of success for Penn:

- Our faculty continued to earn wide national and international acclaim for teaching and research efforts of its members—including eight Guggenheim Fellowships, one MacArthur Fellowship, two Fulbright Scholarships, and three new Penn memberships in the National Academy of Science;
- We made an unprecedented leap in strengthening our position as an undergraduate school of first choice;
- We demonstrated new vigor in our ability to attract alumni, government, and corporate support to meet the University's needs;
- We moved forward with the strategic planning necessary to continue building our momentum; and,
- We broadened, in many creative ways, the involvement of our students, faculty, and staff in the community in which we learn, live, and work.

Yet, however we measure our success in the past year, we know that even greater challenges and greater opportunities lie ahead. The need to recruit top-quality faculty, to keep pace with rapidly changing technology, and to improve the quality of the undergraduate experience at Penn—to cite just a few of our priorities—remains clear.

With this in mind, I am pleased to submit this report on the University, and to pledge my continuing efforts to strengthening Penn's position in the front rank of internationally recognized institutions of higher learning.

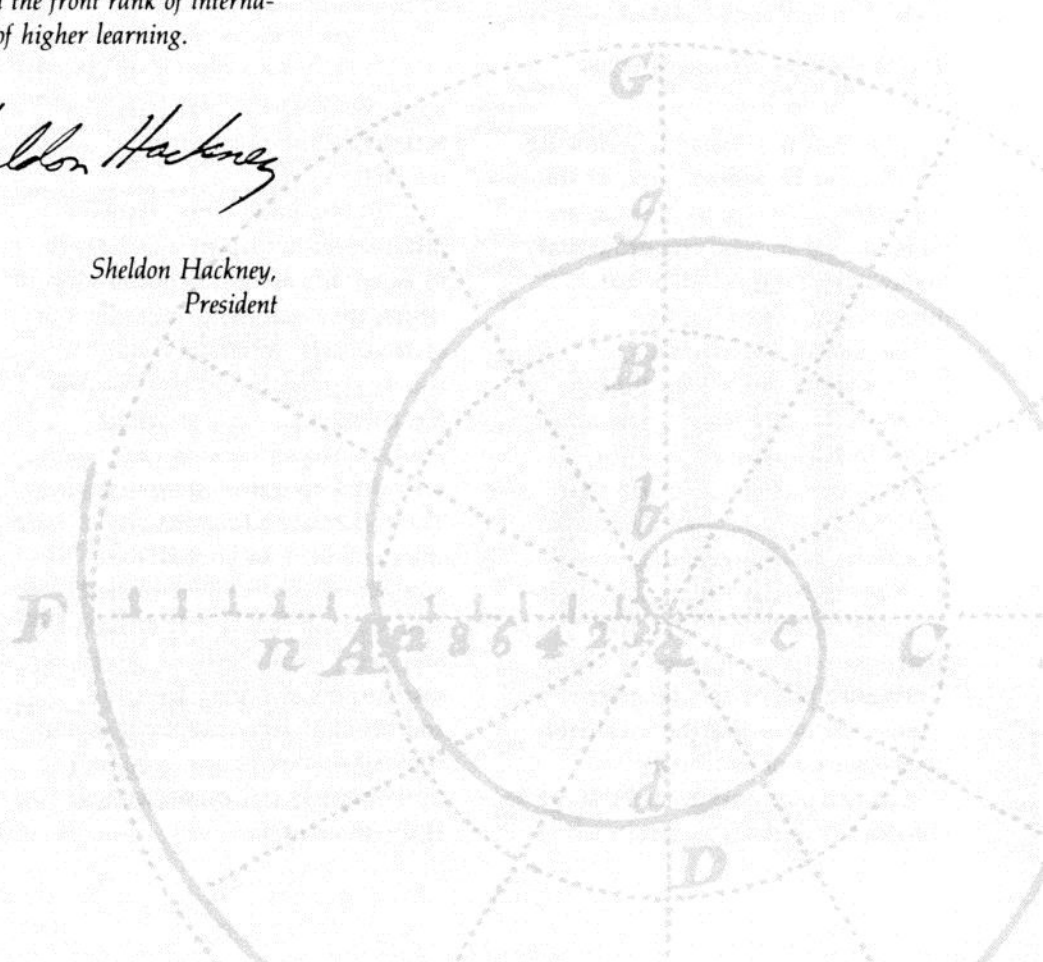


Sheldon Hackney,
President



Excerpts from the University's
1986-87 Annual Report

We at the University are in the business of "remembering the past," so that the path we trace is a spiral rather than a closed circle. History does not merely repeat itself, for we actively shape our course by responding to recurring pressures, adjusting our goals for the future with the benefit of lessons learned from the recent past. The cover design represents this analogy. The spiral is an appropriate abstraction of progress informed by reflection on the past. It stands in contrast to the closed circle, symbol of those who, in Santayana's aphorism, because they "cannot remember the past, are condemned to repeat it."



Preamble

Since the Second World War, American higher education has passed through three phases of rapid change. We are currently poised on the brink of another.

As one looks back over the entire period, a certain cyclical pattern can be detected: curriculum requirements become more stringent, only to loosen and then tighten again; government support for research grows and then slackens; educational opportunity expands, then contracts; social activism grows and then recedes. One is tempted to think that, like a race horse, no matter how fast we run we return to the place where we began.

It is not, however, a question of retreading old ground. We at the University are in the business of "remembering the past," so that

the path we trace is a spiral rather than a closed circle. History does not merely repeat itself, for we actively shape our course by responding to recurring pressures, adjusting our goals for the future with the benefit of lessons learned from the recent past.

The 1950s and 1960s were a time of expansion. Educational limits were stretched and tested. With the growth of higher education came a democratization that has been good for America. The college-going rate increased as previously excluded groups found access even to the most elite institutions. Faculty talent was spread more broadly throughout the system than ever before.

The 1970s, however, saw a pulling back. Economic and social experimentation was constrained

and democratizing forces began to stabilize. The 1980s have brought a new self-scrutiny to colleges and universities, and structures abandoned in earlier decades are being reconsidered. The 1990s—owing to an impending shortage of faculty and to the rising cost of excellence in every field—threaten to bring a reversal of higher education's democratization along with an increasing disparity in quality among colleges and universities nationwide.

The decade ahead will test the University's quality and resolve. By recognizing the significance of our past, we adapt to changing needs, building on our long history of innovation to strengthen Penn's position in the forefront of higher learning.

Learning from the Past

The Post-War Period: Lifting the Boundaries

In the years immediately following World War II, federal support for research and the democratization of academia spurred the growth of today's great American research universities, including the University of Pennsylvania.

Increases in federal funding to research universities came about as a direct consequence of the Second World War. During the national emergency, faculty researchers had been called upon to support both military and civilian enterprises. After the war, when professors returned to their university positions, the government—recognizing the invaluable contribution of university researchers not only to defense but also to the nation's general and

economic health—continued its active funding of scientific research.

At the same time, the G.I. bill enabled returning servicemen to enroll in the best programs for which they qualified, regardless of tuition costs. Veterans could choose to attend selective residential colleges, as well as major public universities that imposed a surcharge on out-of-state residents. The bill made education an entitlement—an alternative occupation in the overcrowded post-war job market. It created the first great democratizing sweep of institutions of higher learning, and brought large numbers of non-conventional students—including those beyond traditional college age—to campus.

The 1960s: Testing the Limits

With the Soviet launching of Sputnik in 1957, America realized that the future of the nation lay in the classroom and the laboratory. The federal government stepped up its investment in student aid, graduate education, and research. Throughout the sixties, federal appropriations for university-based research increased at a rate of eight percent, annually compounded.

As the post-war "baby-boom" generation came of college age in the early 1960s, institutions encountered huge increases in enrollment. With ever-expanding classes, more teachers were needed. Graduate programs flourished, producing more Ph.D.s than could be absorbed on the faculties of the small handful of

elite colleges and universities. Eminently qualified faculty therefore dispersed around the country, and the disparity of quality among universities was narrowed in a healthy way. A growing share of graduate students attended public institutions, whose expansion resulted in the emergence of state systems of public higher education and in the growth of the community college system.

The sixties saw a massive influx of undergraduates from a wider diversity of backgrounds and age groups than ever before. For many, affluence brought with it the luxury of dissent. There was a new young president in the White House, and a general sense that if inequity and injustice ever were to be abolished, now was the time.

Students voiced their opinions on social, political, and educational issues alike. Ever-larger numbers lobbied for teaching over research, relevance over established disciplines, and political activism over apathy. Social responsibility jockeyed for a place alongside esoteric investigation and intellectual objectivity. The sixties brought student evaluation of professors and student involvement in the decision-making process.

Extra-curricular aspects of a university education also were affected. Until the sixties, limitations on individual liberties had been accepted without demur by generations of students who had never seriously questioned the right and the responsibility of an institution to serve *in loco parentis*. Suddenly, reforms and innovations challenged the structure of higher learning. Its systems and values—even the rationale for its continued existence—were called into question.

At a distance of 20 years and more, we have a tendency to look

back at the sixties either with nostalgia or with horror. In many ways, it was a golden age in American higher education. Enrollments, which had doubled every 15 years throughout the previous century, rose from 2.5 million in 1957 to 5.5 million in 1967, while the number of faculty and graduate students doubled. Government support for education was generous: with inflation at one percent and unemployment at three to four percent, federal expenditures on higher education tripled between 1957 and 1967—from \$5 to \$15 billion. At first, federal funding increased to advance the government's own agenda on a *quid pro quo* basis; later, research became a national priority in its own right.

On the other hand, there was a dark side to the sixties. It was a time of turmoil and conflict on college campuses. There were noble causes such as civil rights and peace, but also there was self-indulgence and a sense of revolution as theater. The forces of personal liberation were triumphant, so structure and coherence disappeared from undergraduate curricula. Self-expression became more highly prized than intellectual discipline. Egalitarianism undermined academic standards.

Yet the student activism of the sixties initiated a cycle of progress that had some lasting effects on higher education. At many institutions, new programs and support systems were initiated for women and minorities. At Penn, the School of Arts and Sciences was reorganized in 1975 to bring together the historic College with the College for Women, created in 1933. Other efforts were taken here to shrink the psychological size of the University and to create a true sense of community, particularly among undergraduates. Today's students have

many more options open to them—both in the formal curriculum and in campus life—than did their predecessors. Colleges and universities provide a richer and more compassionate environment for a greater diversity of students than ever before.

Nonetheless, the sixties left higher education unprepared for the realities of the decade to come.

The 1970s: Facing Constraints

In 1971, the Carnegie Commission reviewed the strides made by higher education in the sixties and predicted that the last decades of the twentieth century would be a time of dramatic innovation and change. Two years later, when that report was published in final form, the Commission was forced to note that higher education was moving from golden age to time of troubles. The expansion, democratization, and increased government support of the sixties had, in fact, contributed to a battery of new problems.

Short-sightedness and lack of planning in the 1960s led to retrenchment and hard times in the 1970s, as the nation woke up to the unpleasant truth that the economic problems of the country and the world had hardly been rectified. College and university enrollment rates were no longer increasing at the dizzying pace of the sixties, federal financial support was leveling off, and a new set of initiatives was in the works to respond to totally unfamiliar student demands. Predictable though the downswing may have been, administrators were not prepared for the straitened circumstances that replaced the optimistic challenges associated with the promise of growth.

Colleges and universities had over-extended themselves. Even before the onset of inflation occasioned by political manipulations of the economy and the oil embargo, the great cost of expensive new programs and enlarged graduate student bodies had landed some institutions in trouble. In 1971, the president of the American Association of State Colleges and Universities announced that fiscal bankruptcy had replaced student unrest as the top worry of state college presidents that year. Carnegie president Alan Pifer reported that year that the financial problems of private institutions were severe enough to precipitate the first stage in their demise.

As the soaring sixties gave way to the sober seventies, institutions made radical changes in the way they did business. Although large-scale bankruptcy did not occur—according to the Carnegie Foundation for the Advancement of Teaching the number of institutions of higher education jumped from 3,072 to 3,389 between 1976 and 1986—cost controls were instituted, and budgets pared and ultimately balanced. At Penn, responsibility center budgeting was instituted as a creative alternative to centralized control.

Across the nation, the sense of impending crisis in higher education led to a curtailment of expansion and innovation. Faculty, in particular, were hard hit by the new austerity: between 1973 and 1981 their real income dropped by 22 percent. The academic profession was among those most seriously affected by inflation.

While faculty salaries failed to keep pace with the cost of living, tuition—one of the few remaining sources of income in labor-intensive universities—also lagged behind inflation indices. Heating costs increased as a result of the oil embargo, book prices soared, other costs escalated, and

universities instituted new cost-cutting measures of dubious long-range merit by deferring maintenance, cutting book budgets, and not keeping up with technological progress in the laboratory.

In a complete turn-about from the days when small private colleges and newly established community colleges called on graduate students to fill their teaching needs, newly minted Ph.D.s now struggled to find jobs. Large numbers of junior faculty were forced to change their careers, as institutions of higher education economized by reducing the number of tenured positions and not replacing retiring professors. The collapse of many graduate programs, the rootless underemployment of “gypsy scholars,” and the departure in droves of Ph.D. recipients for a variety of alternative professions would have predictable repercussions in later years. The 1970s became known as the time of the disappearing student as the “baby boom” gave way to the “baby bust.”

The economic realities of the seventies created growing skepticism about the possibility of continued expansion and democratization in higher education. A publication of the American Council on Education ominously asked, *Higher Education for Everyone?* Education could no longer be assumed an entitlement. Now, universities such as Penn had to make conscious—and costly—efforts to uphold their policy of need-blind admissions for educationally qualified students. The government did take measures to increase educational access by helping students cover tuition costs through grants and loans. Still, there would be no federal bail-out of higher education.

Economic pressures and social change went hand-in-hand. During the sixties, a coalition had formed between students from

families for whom college was an accepted step in a standard education, and students who were the first in their families to go to college. By the mid seventies, the tie between these groups had weakened. Middle-class students became increasingly concerned about their own economic futures. Business courses replaced offerings in the arts and sciences even at some of the best colleges and universities. The humanities were put on the defensive—many students turned away from these “impractical” pursuits. Now, campus protests were directed against tuition hikes, faculty lay-offs, and reductions in financial aid. A 1975 report in the *Chronicle of Higher Education* characterized student lobbies in Washington and several state capitals as primarily concerned with holding tuition down, pushing financial aid up, and securing economic benefits for their constituents.

The 1980s: Looking Inward

The strains of the seventies left colleges and universities with a clear sense of the need for careful self-examination. Higher education could not again afford to be caught unprepared for future constraints. The continual rise in educational costs focused new attention on the need to achieve productivity and improve both efficiency and quality.

Today, self-examination is also being called for by critics of the means and ends of undergraduate education. Both the general public and the principal benefactors of higher education have questioned the effectiveness of the unstructured curriculum that grew from the reforms of the sixties. Schools are being challenged to strike a careful balance

between rigor and flexibility—to continue to offer diversity while re-establishing reliable standards of educational quality. The tide is shifting back towards the arts and sciences, as students and educational leaders alike recognize the irreplaceable value of a broad liberal education.

The 1980s have brought the long-promised information revolution, which is accelerating technology-driven research and altering the way that scholars communicate their results and teach their students. New technologies offer innumerable benefits—from state-of-the-art research environments, to information networks that link classrooms, libraries, and residences, to automated office systems. They also involve unprecedented expense. The cost of research in some areas of scientific inquiry—robotics, medical imaging, bio-technology, and particle physics, for example—has skyrocketed in recent years.

The problem of escalating costs is compounded by recent shifts in federal funding policy. Changes in the way that federal funds are distributed—particularly in the rules for calculating indirect costs—have taken their toll on the research enterprise. At the same time, federal support for scientific equipment and laboratory renovation and construction has continued to decrease: the government provided less than \$50 million in 1985, compared to \$200 million in constant dollars in 1966. Federal obligations for Research and Development facilities dropped by 90 percent in constant dollars between 1966 and 1983.

Other fiscal problems confront higher education as well. Campuses nationwide now face the consequences of earlier decisions to balance budgets through deferred maintenance. Aging buildings must be rehabilitated and pre-

served; neglected facilities must be refurbished before they are physically beyond repair.

The struggle to preserve need-blind admissions also has become more difficult. Between 1981-82 and 1983-84, the amount of direct aid provided by colleges and universities to their students rose from \$904 million to \$3 billion. Conversely, the federal contribution to student aid in real dollars fell drastically during the same period. Between 1979-80 and 1984-85, for example, Pell grants were cut by 41.6 percent in constant dollars, and Guaranteed Student Loans were limited to only the most needy students. Options were dramatically reduced for middle-income students—a group we had traditionally supported through modest grants and substantial work-study and loan opportunities.

As institutions such as Penn cope with ongoing financial constraints, they must also adjust to changing demographics. In 1971, the National Commission on the Financing of Post-Secondary Education concluded from demographic studies that there would be a considerable decline in the number of college-goers over the following two decades. In 1972, much was made of the fact that the number of children born in the United States was at a 27-year low—only about 15 per 1,000 adults. In 1975, the rate fell lower still, just 14 per 1,000. Predictably, between 1975 and 1985 there was a 13 percent drop in the number of children of school age, which led to many school closings and amalgamations, and to cuts in teaching positions.

The number of high school graduates has been declining for the past five years, so colleges and universities are feeling the effects of the “baby bust,” and the number of 18 to 24 year olds will

continue to decline until the mid-1990s. Though Penn has experienced a steady increase in the numbers of applicants and the strength of their credentials, the challenge has been real.

Another major challenge facing higher education will be to replace the retiring members of the extraordinary generation of scholars who came of age during and just after World War II. Between now and the end of the century, large numbers of faculty will take their leave of the colleges and universities they helped build: 368 senior professors will turn 70 by the year 2000 at Penn alone. This year, only seven reached the age of mandatory retirement; that number will double in 1988 and triple in 1990. The peak will occur in 1992-93, when 63 professors will retire and at least 26 will retire annually thereafter. The millennium will be marked by the retirement of 43 professors, 17 from the School of Arts and Sciences alone.

The unfortunate legacy of cutbacks in graduate education in the 1970s and early 1980s is a current shortage of new faculty to replace those now beginning to retire. The lost generation cannot be recalled, and it is already apparent that only the most attractive institutions will be able to retain and appoint the best candidates from the reduced cohort.

Not only will colleges and universities compete with each other for qualified candidates, but they will also compete with employers outside academia. Faculty salaries must be able to attract qualified graduates who might otherwise opt for other careers. Competition for the best and the brightest replacement faculty will only intensify and is likely to produce increasing disparity in institutional quality in the years ahead.

Investing in the Future

The lessons of recent decades make clear that institutions must take hold of their own destinies—through the pursuit of a wide range of funding sources, through careful use of existing resources, through imaginative investment in carefully identified academic priorities, and through contingency planning.

More than most of its peers, Penn has made a sustained commitment to planning. The University's development of responsibility center budgeting in the 1970s helped to foster strong School-based economies, which, in turn, made possible the recruitment of strong deans. Decentralized planning and management increased the Schools' incentive to develop new sources of income and to invest in their own academic futures.

More recently, Penn's planning has balanced School initiatives with leveraged investments of central funds in University priorities. We have established an Undergraduate Education Fund to support curricular renewal and educational experimentation and have made major investments in undergraduate life. We have created a campus-wide, fibre-optic computer network to link the University's research facilities with each other and with external installations. We have established a University Research Foundation and a Research Facilities Development Fund to support faculty research efforts.

Over the past decade, we have beautified the campus—establishing ours among the most attractive urban campuses in the nation. We have undertaken major renovations of the undergraduate

Quadrangle, the Furness Building, and Chemistry facilities. We also have begun to develop a Campus Master Plan to coordinate future improvements to our physical plant.

Finally, we have dramatically enlarged our undergraduate applicant pool and increased the geographic range of our matriculants, attracting more students from the western United States and abroad than ever before. This year's precedent-setting yield for the Class of 1991 is the most recent demonstration of success in our drive to strengthen Penn's position as a school of first choice. The Penn Plan, created to provide students with a flexible alternative to traditional funding options, has earned recognition—and imitation—nationwide.

Now we must continue these investments while finding ways to control costs in order to limit future tuition increases. Most importantly, we must make a concerted effort to attract and retain outstanding faculty to ensure the intellectual vitality of the University.

The University of Pennsylvania is prepared to face these challenges. More than ever, Penn is being talked about in terms that convey a sense of selectivity and excellence. We are being told that ours is a school "whose time has come," that the University's competitive advantage lies in its ability to link the liberal arts and the professions and to bring together disparate fields for the creation of new knowledge. Penn offers unmatched scholarly breadth on a single unified campus, encouraging scholars to venture across the usual disciplinary lines for fruitful interaction with those in other fields.

Our standing as the principal research university at a critical junction in the Boston-Washington corridor is itself a strategic

advantage of increasing importance. The requisite supply of skilled labor, the rebuilding of center city Philadelphia, a new growth in information sciences, and a commitment to research on the part of the Delaware Valley's dominant chemical, medical, and pharmaceutical industries are important indicators that the region to which we belong is primed for economic restructuring and accelerated growth. As an important economic institution in our region, we believe that the decade ahead will be one of special opportunity for the University of Pennsylvania.

Higher education has changed in the recent past. Although problems tend to recur, as a result of the lessons of the past today's campuses are very different from those of the sixties and seventies. The current emphasis on planning at Penn and elsewhere indicates that we have learned the cost of the alternative: there is no place for "ad hoc" at the best institutions.

External events will continue to provoke action and reaction. Constant adjustments must be made in response to present circumstances and in preparation for change. As we invest in the future, we will retain our sense of history. At Penn, we are ready to confront the future, combining our skills and resources in such a way as to prosper in the stimulating times ahead.

This condensation of the University's 36-page Annual Report for 1986-87 contains all of the text of the president's essay and some excerpts from the sections on development and finance. The full report is available at the Office of the Secretary, 121 College Hall.

Message from the Vice President for Finance

During FY 87, the fund balances of the University increased by \$188.6 million, the largest increase in its history (easily surpassing last year's record increase of \$149 million). The total fund balances of the University as of June 30, 1987 are approximately \$1.3 billion.

We have continued to build upon the long-range planning process instituted six years ago. This planning process has resulted in the definition of priorities for each of the schools as well as the University as a whole. The plans have been shared widely in our University community and provide the benchmark upon which long term financial commitments, developed and embraced by the entire University community, have been made.

Nowhere is our commitment of resources more visible than in our capital program. Major renovation and restoration projects not only maintain the heritage of the University for the present but also provide an important legacy which we leave for future generations of Penn students. Our commitment to preservation is exemplified through the restoration of the historic Furness Building, a \$15 million commitment that was initiated this year. Our commitment to preserving our past investments is also reflected in our deferred maintenance program to which we allocated over \$6 million in additional resources this year. FY 87 was the first year of a comprehensive five-year program to address deferred maintenance needs on our campus. Renovations not only recognize our considerable investments in our existing facilities, but also allow for better utilization of scarce space in ways that will provide for the needs of the present and the future. University renovations in FY 87 exceeded \$44 million and have impacted all areas of University life including classrooms, offices, laboratories, residences, and dining facilities.

FY 87 also marked our continued commitment to the future as evidenced by several major initiatives, i.e., the \$53 million Clinical Research Building, the \$27 million Wharton Executive Education Center, and the \$20 million Walnut West complex. In order to better serve our students, faculty, staff, and guests, a new \$7.5 million parking garage was begun in FY 87.

Constant vigilance is required in managing sources as well as uses of our funds. FY 87 offered us the opportunity to restructure our debt obligations in order to take advantage of lower interest rates and changes in the debt markets. For example, the 1984 HHEFA (Hospital and Higher Education Facilities Authority of Philadelphia) Revenue Bonds previously structured at interest rates ranging from 6.75 to 10% have been refinanced at rates ranging from 3.75 to 6.62% and PHEFA (Pennsylvania Higher Educational Facilities Authority) Series Revenue Bonds issued at rates ranging from 5.75 to 9.125% have been refinanced at rates ranging from 4.25 to 7.00%. The refinancing of these issues through the advanced refunding of debt has resulted in considerable annual savings in future debt service payments.

INVESTMENTS AND ENDOWMENT

The University's Endowment and Similar Funds consist of true, term, and quasi-endowment funds along with life income, annuity, and unitrust funds. During the past fiscal year, the balances of these funds increased from \$447.7 to \$562.2 million. This \$114.5 million increase consists of realized gains of \$78.2 million and other additions to endowment of \$36.3 million (principally new gifts and reinvestment of income into endowment principal).

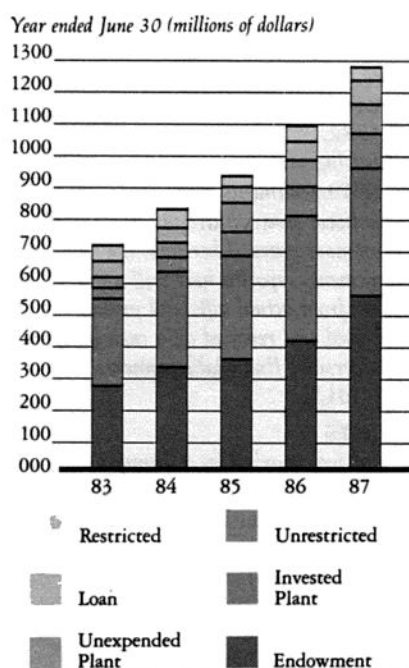
As indicated in the Five-Year Review of Investments on pages 22

and 23*, the market value of the University's total endowment has increased from approximately \$315 million as of June 30, 1983 to over \$648 million at June 30, 1987. According to the most recent study by the National Association of College and University Business Officers (NACUBO), the University's endowment is ranked as the 16th largest in the country.

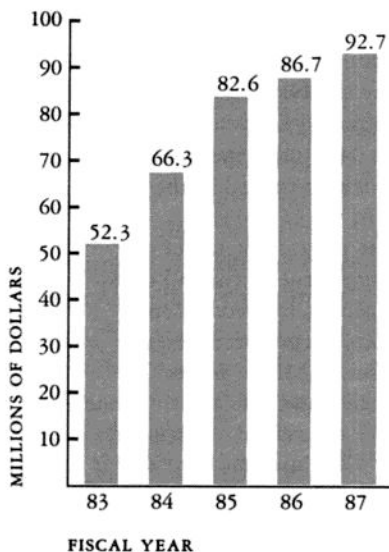
The largest portion of the University's true, term and quasi-endowment is invested in the University's Associated Investments Fund (AIF), a pooled investment fund, which as of June 30, 1987 was valued at approximately \$559 million. The AIF is managed, together with all other University investments, by the Investment Board of the Trustees of the University of Pennsylvania. In FY 81, the Trustees implemented a spending rule for the AIF in order to protect the endowment against the effects of inflation. In FY 87, \$11.2 million or 35% of total AIF income earned was reinvested. Since the inception of the spending rule policy, \$56.8 million has been reinvested which represents over 10% of the AIF's market value at June 30, 1987.

* of the 32-page report excerpted here, available from the Office of the Secretary.

Five-Year Growth in Fund Balances



*Five-Year Private Gift
Performance, FY 83-FY 87*



Development

Penn ranks among the country's top ten private universities in the level of philanthropic support. In fiscal 1987 it established new records in dollars and donors.

FUND-RAISING PERFORMANCE

New gift commitments to Penn in fiscal 1987 exceeded \$90 million for the first time. The total of \$92.7 million was 7 percent above the previous year's record of \$86.7 million. Gifts from alumni rose 22 percent to \$22 million, and from non-alumni friends, 19 percent to \$20.8 million. Institutional donors (corporations, foundations, and associations) contributed \$49.9 million, over half the total.

The 1987 philanthropic giving to Penn represented an increase of 92 percent over the \$48.2 million raised five years earlier in fiscal 1982.

Fund-raising performance is measured by the new gift commitments made by donors during the fiscal year which may be payable over one or more years. Therefore, the new gift commitments reported here will differ year to year from actual gifts and private grants received and reported on a cash basis in the University's financial statements (pages 18-36).*

HIGHLIGHTS

The year was marked by a dramatic increase in gifts from individuals. Combined gifts from alumni and friends came to \$42.8 million, a 20.5 percent increase over the previous year and the largest total ever contributed to Penn by these two key constituencies.

The response of Penn alumni was particularly encouraging. Annual Giving, a key measure of the breadth and depth of alumni support, raised a record \$14 million from a record 60,623 donors. This was a gain of 13.9 percent in dollars and 7.8 percent in number of donors over the previous year. The Class of 1962 created a new benchmark in reunion giving by exceeding \$3 million for its 25th reunion gift.

The Benjamin Franklin Society, Penn's honor roll of its most generous donors to Annual Giving, continued to grow in both members and in dollars contributed. In fiscal 1987, donors increased by 13 percent over the previous year, and gifts rose 27 percent. The two-year gain in dollars contributed was even more impressive, up 47 percent since 1985.

FY 87 Gift Performance by Constituency

Constituency	Subscriptions FY 87
Alumni	\$22.0 million
Friends	20.8 million
Corporations	25.9 million
Foundations	19.5 million
Associations	4.5 million
TOTAL	\$92.7 million

Over the past few years, more and more Penn donors have availed themselves of the diverse and creative opportunities presented by Planned Giving, including gift annuities, pooled income funds, charitable remainder trusts and charitable lead trusts. Planned gifts to the University have tripled in two years from \$5.1 million in fiscal 1985 to \$16.1 million in 1987. Fifty-five irrevocable arrangements, which provide a lifetime of income or other tax benefits to donors, were completed by alumni and friends in 1987. This trust income represents a tenfold increase since 1985.

Penn's well-established relationships with leading corporate and foundation donors bore fruit in fiscal 1987 in commitments totaling \$45.4 million. This performance, 5 percent above the previous year, came at a time when many major corporations are being restructured and foundation support for private higher education has declined. Continuing success in attracting institutional support will depend on nurturing productive partnerships and on reinforcing those interests and goals—educational, research, and community—that Penn and its donors share.

Endowment, the bedrock of the University's fiscal strength, continued to grow in 1987 through gifts, capital growth, and retained income. As of June 30, 1987, total endowment at market value stood at \$648.5 million, compared to \$314.7 million at June 30, 1983. (See the report of the Vice President for Finance.) An especially valuable and visible form of endowment is the named professorship, a true investment in academic excellence. In fiscal 1987 these new endowed chairs were established at Penn:

- The Margaret Bond Simon Deanship of Nursing, given by Cornelius Bond.
- The Edmund J. Kahn Professorship in Arts and Sciences, given by Mrs. Louise W. Kahn.
- The Leon Meltzer Professorship of Law, given by Mrs. Ruth Meltzer.
- The Caroline Zelaznik Gruss and Joseph S. Gruss Chair in Talmudic Civil Law, endowed by the estate of Mrs. Gruss.
- The Universal Furniture Professorship in the Wharton School, given by Laurence Za Yu Moh, his associates, and Universal Furniture Limited.
- The Marion Dilley and David George Jones Professorship in the School of Veterinary Medicine, given by the late Mr. Jones.
- The William Stewart Woodside Professorship at Wharton, given by Primerica Corporation.

* of the 32-page report excerpted here, available from the Office of the Secretary.