2013

ANNUAL REPORT
OF
LOYOLA UNIVERSITY OF CHICAGO

Prepared in compliance with

the Continuing Disclosure Agreement
dated as of July 16, 2003,
in connection with the Illinois Finance Authority (as successor to the Illinois Educational Facilities Authority)
Revenue Bonds,
Loyola University of Chicago,

This Annual Report (this ³$QQXDO 5HSRUW´ is prepared by Loyola University of Chicago, an Illinois not for SURILW FRUSRUDWLRQ WKH ³8QLYHUVLW\´ the Continuing Disclosure Agreement LQ FRPSOLDQFH ZLWK D &RQWLQXLQJ 'LVFORVXUH $JUHHPHQW´ GDWHG DV the Illinois Finance HQWH $XWKRULW\ WKH ³$XWKRULW\´ Revenue Bonds, Loyola University of Chicago, Series 2012B WKH ³6HULHV % %RQGV´ WKH 9ROXQWDU\ &RQWLQXLQJ 'LVFORVXUH 8QGHUWDNLQJ $J 'LVFORVXUH $JUHHPHQW´ dated as of August 15, 2011, entered into in connection with the Authority Commercial 3DSHU 5HYHQXH 1RWHV /R\ROD 8QLYHUVLW\ RI &KLFDJR)LQDQFLQJ 3U 1RWHV´ F WKH &RQWLQXLQJ 'LVFORVXUH $JUHHPHQW WKH ³ &RQWLQXLQJ 'LVFORVXUH $JUHHPHQW´ &RQ 12, 2007, entered into in connection with the Authority Revenue Bonds, Loyola University of Chicago, Series 2007 WKH ³6HULHV and %RQGV´ &RQWLQXLQJ 'LVFORVXUH $JUHHPHQW issue WK $JUHHPHQW´ GDWHG DV RI -XO\ HQWHUHG (as successor to the Illinois LQ FRQQHFWL Educational Facilities Authority) Revenue Bonds, Loyola University of Chicago, Series 2003A WKH ³6HULHV $ %RQGV´ and Series 2003B WKH ³6HULHV % %RQGV´ The 2012B Continuing Disclosure Agreement, the 2011 Voluntary Continuing Disclosure Agreement, the 2007 Continuing Disclosure Agreement and the 2003 Continuing Disclosure Agreement are collectively referred to in this Annual 5HSRUW DV WKH ³&RQWLQXLQJ 'LVFO Capitalized terms used herein but not defined herein will have the meanings ascribed to them in the Official Statement dated May 16, 2012 relating to the Series 2012B Bonds WKH ³2 Official Statement´

This document contains updated financial and operating data in those areas required to be updated by the Continuing Disclosure Agreements. It is not intended to, and does not, represent a complete discussion of all the affairs of the University for the past fiscal year, or periods subsequent thereto, include further funds for the University. The Health System andits healthcare affiliates are no longer affiliates of the University or an available source of funds except for the limited purposes described below under the caption ³Trinity Transaction ±Relationship with Health System´ S X U V X D Q W W R W K H $ F D G H P L F $ I I L O L described below The University has no legal obligation to make payments of debt service on any indebtedness of the Health System or any of its affiliates.

Under the Master Indenture, except as otherwise expressly set forth, all financial tests or reports

Selected Consolidated Financial Information
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	Fiscal Year Ended June 30	
	2013	2012
Cash Equivalents and Short-Term Investments	$278,306	$370,806
Endowment and Other Long-Term Investments	502,902	444,047
Land, Building and Equipment (net of depreciation)	1,029,530	912,629
Receivable from Trinity Health	75,000	75,000
Other Assets	139,619	172,658
Total Assets	$2,025,357	$1,975,140
Indebtedness	584,666	593,865
Other Liabilities	184,398	212,532
Net Assets	1,256,293	1,168,743
Total Liabilities and Net Assets	$2,025,357	$1,975,140

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General. 7KH 8QLYHUVLW\¶V ILQDQFLDO VWDWHPHQWV DUH SUHSDUH generally accepted in the United States of America. See Note 3 of the Notes to Consolidated Financial Statements for the years ended June 30, 2013 and 2012 for a summary of significant accounting policies.

Trinity Transaction.

auxiliary services of $3.1 million. The increase in operating expenses was primarily the result of an increase in salaries and wages of $13.0 million, an increase in depreciation of $5.9 million, and an increase in interest expense of $6.5 million.

With a positive 12.2% investment return in fiscal year 2013, the market value of the University¶V endowment fund assets increased to $461.9 million at June 30, 2013 from $406.0 million at June 30, 2012. Under WKH %RDUG RI 7UXVWHHV¶ FXUUHQW SROLF\ WKH 5.0% annually. For OLPLW\ the last several years, actual spending has been less than 5.0% in an effort to grow the endowment. The effective spending rate was 2.0% for 2013 and 2.7% for 2012.

Unrestricted net assets from continuing operations increased $74.1 million in fiscal year 2013. This is other income of $4.3 million. The increase in operating expenses was primarily the result of an increase in salaries and wages of $11.4 million, an increase in fringe benefits of $4.3 million, and an increase in non-salary operating expenses of $8.6 million.

With a positive 1.1% investment return in fiscal year 2012, the market value of the University's endowment fund assets increased to $406.0 million at June 30, 2012 from $388.7 million at June 30, 2011. Under

University Enrollment

Academic Year	Graduate and Professional	Undergraduate	Total
2009-10	5,802	10,077	15,879
2010-11	6,204	9,747	15,951
2011-12	6,184	9,856	16,040
2012-13	5,997	9,723	15,720
2013-14			

Tuition and Fees

Gifts and Bequests

Land, Buildings and Equipment

The following table sets forth the book value of the land, buildings and equipment of the University (net of depreciation) as of June 30 in the years 2009 through 2013. 7KH DFWXDO UHSODFHPHQW YDOXH physical plant, as determined for insurance purposes as of June 1, 2013, was approximately $15 billion.

Fiscal Year
Ended
June 30

commensurately.

(4) Principal amount outstanding is subject to currency (Euro) fluctuations.

(5) In May 2012, approximately $50.0 million of the Series 2012A Bonds and the Series 2012B Bonds were issued (and the University used other funds) to reduce interest expense by refunding all of the outstanding Series 2003A Bonds and all of the outstanding Series 2004A Bonds

(6) See footnote 5 above.

<u>Tests for the Incurrence of Additional Indebtedness</u>. The Master Indenture requires that the University comply with one of two alternative tests as a condition precedent to the incurrence of Additional Indebtedness. The Series 2012A B9- 0 0 1 126.02 679.42 Tm [(Bo)-5(n)-0 TJ ET 79.42 Tannat the Uni(itio)-2(n)6(al)i(itio) The

Maximum Annual Debt Service Coverage

Annual Debt Service Requirements

The following table sets forth the actual (subject to assumptions described below) annual amounts required for the payment of principal at maturity or by mandatory sinking fund redemption and for the payment of interest on the outstanding indebtedness of the University for each year ending June 30.

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(1) Interest payments due on July 1 each year are included in the prior fiscal year's debt service requirements.

(2) Assumes an average variable rate of 3.50% for outstanding 2008 Commercial Paper Revenue Notes (except for the year 2014 in which the assumed interest rate is 1.00%). Although the 2008 Commercial Paper Revenue Notes have a final mandatory prepayment date of June 1, 2038, which is reflected as a bullet maturity in this chart, management expects that the principal will be retired or refunded from time to time in earlier years.

(3) Includes $21.1 million of 7.52% Fixed-Rate Medium-Term Notes with a final maturity in 2017; approximately $211,000 of 9.50% installment notes with a final maturity in 2015; $113.5 million outstanding under the 2011 Term Loan at a rate of 2.36% and with a final maturity in 2018; and a mortgage denominated in Euros due in 2029 on the Rome Center property with an effective rate of 1.51% and approximately $12,128,000 outstanding (subject to fluctuations in the Euro).

accordance with the Academic Affiliation Agreement, or (c) upon the expiration of the Academic Affiliation Agreement after failure of the parties to resolve a dispute related to the academic support payment amount or academic support payment calculation methodology for any period after the initial 10 year term of the Academic $IILOLDWLRQ $JUHHPHQW 7KH VSHFLILF WHUPV DQG FRQGLWLRQV RI and its affiliates are set forth in the Definitive Agreement and the Academic Affiliation Agreement.

In addition to the Research Facility Funding Agreement and the Academic Affiliation Agreement referred to above, other agreements delivered in connection with the Trinity Transaction included a Branding and Trademark License Agreement among the University, Trinity, the Health System, LUMC and certain of the other healthcare affiliates regarding the use of the Loyola name, logo, trademarks, service marks, and all related goodwill in connection with their healthcare operations; an Indemnification Escrow Agreement among Trinity, the University and an escrow agent; a Shared Services Agreement among the University, the Health System and/or LUMC regarding sharing certain services; a Real Estate Swap Agreement which resulted in transfers of real estate between the University and LUMC as described below; various leases and other real estate agreements among the University, the Health System and/or LUMC providing for the sharing or transfer of certain real estate on the Medical Center Campus; and other instruments and documents.

As a result of the Real Estate Swap Agreement, the University now owns the central part of the Health Sciences/0HGLFDO &HQWHU &DPSXV 7KLV FHQWUDO SDUW LV WKH ³$FDGH other facilities, the 0HGLFDO 6FKRRO¶V, the Center for Collaborative Studies, School of Nursing, the Center for Health and Fitness, the Cardinal Bernardin Cancer Center (subject to a 99-year leasehold interest for the portion of the building currently used by LUMC) and the space for the new research facility. The north end of the campus is owned by LUMC, and includes the primary hospital building and other inpatient facilities and related infrastructure. The south end of the campus is also owned by LUMC and includes outpatient/ambulatory facilities.

Trinity, including the Health System and LUMC, derives a significant portion of its revenues from Medicare, Medicaid and other third-party payor programs. The receipt of future revenues by Trinity and the Health System, including LUMC, is subject to, among other factors, federal and state policies and procedures affecting the healthcare industry, increased competition and other conditions that are not possible to predict. Developments in the healthcare industry, including increases in managed care arrangements, have significantly increased competitive pressures and seek to restrain the growth in healthcare spending by employers, insurers, health maintenance organizations and other payors. No assurance can be given that Trinity, including the Health System and LUMC, will have sufficient revenues or operating income necessary to meet their respective obligations to the University under the Academic Affiliation Agreement now in effect.