

2014

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, Series 2003A and Series 2003B

and

the Continuing Disclosure Agreement
dated as of April 12, 2007,
in connection with the Illinois Finance Authority Revenue Bonds,
Loyola University of Chicago, Series 2007

and

the Voluntary Continuing Disclosure Undertaking Agreement
dated as of August 15, 2011,
in connection with the Illinois Finance Authority Commercial Paper Revenue Notes
(Loyola University of Chicago Financing Program)

and

the Continuing Disclosure Agreement
dated as of May 31, 2012,
in connection with the Illinois Finance Authority Revenue Bonds,
Loyola University of Chicago, Series 2012B

November 25, 2014

funds for the University. The Healt

Selected Consolidated Financial Information
(\$000's)

	Fiscal Year Ended June 30	
	2014	2013
Cash Equivalents and Short-Term Investments.....	\$236,477	\$278,306
Endowment and Other Long-Term Investments.....	606,071	502,902
Land, Building and Equipment (net of depreciation).....	1,091,217	1,029,530
Receivable from Trinity Health Corporation.....	72,188	75,000
Other Assets.....	114,087	139,619
 Total Assets.....	 \$2,120,040	 \$2,025,357
 Indebtedness.....	 557,429	 584,666
Other Liabilities.....	194,833	184,398
Net Assets.....	1,367,778	1,256,293
 Total Liabilities and Net Assets.....	 \$2,120,040	 \$2,025,357

Management's Discussion of Financial Results

General The University's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. See Notes to Consolidated Financial Statements for the years ended June 30, 2014 and 2013.

With an investment return of approximately 14.5% in fiscal year 2011, the market value of the University's endowment fund assets increased to \$538.5 million at June 30, 2011 from \$461.9 million at June 30, 2010. Under the Board of Trustees' current policy, the University limits its spending of endowment funds to 5.0% annually. For 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% for 2014 and 2.0% for 2013.

Unrestricted net assets increased \$79.3 million in fiscal year 2014. This is compared to an increase of unrestricted net assets \$74.1 million in fiscal year 2013. Temporarily restricted net assets increased \$21.5 million in fiscal year 2014 compared to an increase of \$4.9 million in fiscal year 2013. Permanently restricted net assets increased \$3.7 million in fiscal year 2014 compared to an increase of \$6 million in fiscal year 2013. Gifts totaled \$28.2 million in fiscal year 2014.

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Unrestricted net assets -25r524(2818y7.5y)al1er52m28u2818y7.5ha 128f.5nr52u6(cowaj 0.527(47f0053073698)

Freshman and Transfer Enrollment

Academic
Year

Tuition and Fees The University meets the costs of its educational programs primarily through tuition, fees, gifts and grants. Tuition is charged at different ~~depend~~ depending on the college or school in which the student is enrolled. The following table sets forth the publicly announced base tuition to be charged by the principal colleges and schools of the University in the 2014 academic year and the tuition charged in the preceding four academic years.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Undergraduate Schools.....	\$31,040	\$32,200	\$33,810	\$35,500	\$37,270
Graduate School (per sem.).....	\$830	\$870	\$905	\$930	\$965
Graduate School of Business (per course).....	\$3,672	\$3,858	\$4,011	\$4,110	

Gifts and Bequests

The following table sets forth the amount of gifts and private bequests received by the University for the five fiscal years ended June 30, 2014. Amounts shown below are calculated based on generally accepted accounting principles as set forth in the University's audited financial statements and they reflect the amount accrued at the time a pledge is made. Actual cash payments may occur over several periods. A bequest is recognized when the cash is received.

In fiscal year 2012, Michael R. Quinlan, the Chairman of the University's Board of Trustees and Marilyn Quinlan pledged a gift to the University of \$40 million. In recognition of this gift, the University has named its School of Business the Michael R. Quinlan School of Business. This pledge was recorded in fiscal year 2012 at net present value of \$31.9 million and included in the chart below as temporarily restricted for fiscal year 2012.

In fiscal year 2010, the University received a \$50 million gift of property, artwork, cash and securities from The Cuneo Foundation. \$29.8 million was recorded as

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 J4xqgon) as of J4xqgpment

Tests for the Incurrence of Additional Indebtedness 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 Bonds and the Series 2012B Bonds were not issued under the Master Indenture. However, the University has covenanted in the Trust Indenture dated as of May 1, 2012 between the University and U.S. Bank National Association (the "Indenture") for the Series 2012A Bonds and in the Loan Agreement dated as of May 1, 2012 between the University and the Authority (the "Loan Agreement") for the Series 2012B Bonds to comply with the Additional Indebtedness test in the Master Indenture (as amended solely through the Sixth Supplemental Master Indenture), but only for such period that obligations remain outstanding under the Master Indenture. In the event that the Master Indenture is discharged in full and obligations remain outstanding thereunder in accordance with its terms, the provisions of the Indenture and the Loan Agreement applying the Additional Indebtedness test terminate and be of no further force and effect.

Under the first alternative, a capitalization test, the University must demonstrate that Funded Indebtedness, including any contemplated new debt, does not exceed 50% of total University capitalization (defined as the sum of indebtedness plus net assets). Under the second alternative, a debt service coverage test, the Maximum Annual Long-Term Debt Service on all Funded Indebtedness of the University, including the debt to be issued, may not exceed 10% of (a) the average of University operating Revenues (as defined under the Master Indenture) for the two most recent Fiscal Years or (b) if the University elects, and the new debt is to finance capital improvements, the average of "Adjusted Revenues" (as defined under the Master Indenture) calculated by a consultant to include projected revenues from such capital improvements.

The following tables provide the actual capitalization and maximum annual debt service coverage of the University (excluding any affiliate) as of June 30, 2014

All calculations in the two tables below are made as required or allowed under the Master Indenture.

<u>Capitalization</u> (\$000's)	<u>June 30, 2014</u>
Unrestricted Net Assets	\$1,015,555
Temporarily Restricted Net Assets	196,007
Permanently Restricted Net Assets	<u>156,216</u>
Total Net Assets	1,367,778
Indebtedness	<u>557,429</u>
Indebtedness plus Net Assets	<u>\$1,925,207</u>
Ratio (Not to exceed 50%)	29.0%

Under the Master Indenture, the University is authorized to establish revolving lines of credit with one or more banks in amounts not to exceed \$20 million outstanding at any time, without the need to satisfy any incurrence test, which authority was unused at June 30, 2014

In addition, so long as (a) the 364-day revolving credit agreement dated February 28, 2011 between the University and PNC Bank, National Association remains in effect; or (b) the Term Loan Agreement dated November 17, 2011 between the University and PNC Bank, National Association (the "Term Loan Agreement") connection with the 2011 Term Loan, remains in effect; or (c) any 2008 Commercial Paper Revenue Notes remain outstanding--e01veri (v-4(oF 0 Tw (-uw)25.2(ee)-11.9(n)8.1()-2.4(c))-2.3(an)8(y)3(an)819(al)2.4.1(t)22 Tc8(3)-12 Tw

Annual Debt Service Requirements

The following table sets forth the actu

Trinity Transaction – Relationship with Health System

Effective July 1, 2011, the University completed a transaction with Trinity Health Corporation, an Indiana nonprofit corporation (“Trinity”), located in Livonia, Michigan, pursuant to a Definitive Agreement dated March 31, 2011 (the “Definitive Agreement”). Pursuant to the Definitive Agreement, Trinity replaced the University as the sole member of the Health System, and all of its affiliates including Loyola University Medical Center (“LUMC”), Gottlieb Health Resources, Inc., Gottlieb Memorial Hospital (“GMH”), and Loyola University of Chicago Insurance Company, Ltd. (“LUCIC”) (the “Trinity Transaction”). As a result of the Trinity Transaction, the University is no longer the parent or an affiliate of the Health System, LUMC, GMH, LUCIC, or the other former healthcare affiliates, and these entities ~~no longer~~ are included in the audited consolidated financial statements of the University. Effective July 1, 2011, Trinity controlled all of the assets of the Health System and its affiliates, and all of the liabilities remain with the Health System and its affiliates, except for any assets or liabilities excluded from the Trinity Transaction by the parties. ~~Education and research components of the University’s health~~ 0.01Lstj 8 Tc -0.0mi.g6

result of which Trinity, the Health System or LUMC would no longer be bound by the Ethical and Religious Directives for Catholic Health Services as promulgated by the United States Conference of Catholic Bishops) (any event that causes the failure of LUMC to maintain its status as an academic medical center as defined by and in accordance with the Academic Affiliation Agreement, or) 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 Affiliation Agreement. The specific terms and conditions of the University's right to repurchase the Health System and its affiliates are set forth in the Definitive Agreement and the Academic Affiliation Agreement.