

Gross tuition increased by 13.7% to \$334.8 million in FY 2007 from \$294.4 million in FY 2006. This increase was driven by our increased enrollment and tuition increases of 6.4% for returning undergraduate students, 9.4% for new freshmen and transfer students, and 3% for our medical students. Scholarships had a corresponding increase but were maintained to the same percentage levels as have been awarded in the past three years. The average undergraduate scholarship award to a freshman was 40.0% while the overall average discount rate was maintained at approximately 35.9% for undergraduates. The University's financial aid given to need-based and merit based students is consistent with the Jesuit mission of the University.

Total Operating Revenue increased \$26.6 million or 6.7% compared to FY 2006. The more significant items contributing to this change were: interest income increased \$2.0 million due to higher rates and greater funds on deposit principally related to University debt repayment and incentive policies; and Auxiliary Services increased \$5.5 million principally related to the opening of a new residence hall (Baumhart Hall) which increased capacity by approximately 100 students. In addition, demand for residence halls increased substantially and average occupancy exceeded the prior year.

Total operating expenses of \$375.3 million increased by \$20.9 million or 5.9% compared to FY 2006 operating expenses of \$354.3 million. This increase consists of salary and related fringe benefit increases of 5.1%; \$4.6 million of investments in academic operations to support our increased enrollment and new program initiatives, and new expenses for the opening of Baumhart Hall (includes depreciation, interest, and building operating expenses). In FY 2006, the University reported a one-time cost of \$3.5 million in support of the Hurricane Katrina student relief effort by allowing 320 students' home college or university in New Orleans to bill and collect for tuition for education provided voluntarily by our faculty. As we stated last year, we are very proud of our alumni, faculty, staff and students who helped the New Orleans with their educational aspirations during this monumental crisis.

Cash and Cash Equivalents, Short-term Investments and Long-term Investments: Liquidity levels continued to strengthen due to positive investment returns and a strong operating performance. Cash, Short-term Investments and Long-term Investments increased to \$526.4 million from \$464.2 million the prior year. At June 30, 2007, these assets represented 140% of 2007 operating expenses and 100% of outstanding debt at June 30, 2007. Comparable statistics for 2006 were 131% and 172%, respectively.

Endowments and Investment Performance:

The rate of investment return on the endowment fund portfolio was 19.5% and the endowment fund grew from \$305.7 million at June 30, 2006 to \$373.2 million at June 30, 2007. The endowment at June 30, 2007 is double the value from four years ago. For FY 2007, the endowment return led by strong returns from the public and private equity markets. Real estate and high yield performed well but to a lesser degree. Investment grade fixed income produced single digit returns. Endowment returns for FY 2006, 2005 and 2004 were 13.7%, 6% and 20.5%, respectively.

Donors contributed \$8.1 million to the endowment fund and the University invested \$7.1 million of unrestricted funds in fiscal year 2007. Spending from the endowment in fiscal year 2007 was \$8.5 million (2.4% effective rate).

Investments in Land, Building and Equipment:

Land, Buildings and Equipment increased by \$56.5 million to \$479.2 million. Capital expenditures of \$84.1 million increased Land, Buildings and Equipment in FY 2007 and depreciation expense of \$27.2 million decreased Land, Buildings and Equipment. Major capital expenditures included: construction of the new Information Commons building;

Gifts:

It is the University's policy to record only those gifts that are received in cash or gifts whereby the donor is legally obligated to the University. Gifts recorded in FY 2007 were \$20.8 million compared to \$25.0 million in FY 2006. These gifts accounted for 17% and 25% of the increase in net assets FY 2007 and FY 2006, respectively.

Reinvestment of FY 2007 Operating Surplus:

The University's operating surplus in FY 2007 was \$48.7 million. It is the University's practice to invest unrestricted operating earnings in capital asset reserves, SSOM incentive savings, housing auxiliary operations, parking auxiliary operations, unspent fees for equipment replacement, unspent budgets for personal computer and server replacement and the Rome Center. The President set aside \$24.6 million of the \$48.7 million operating surplus for FY 2007. Additionally, the President has allocated the remaining operating surplus of \$24.1 million to strategically needed quasi-endowments to support our academic operations and allocated for needed capital expenditures.

Appreciation to all for making FY 2007 a successful year!