

2011

ANNUAL REPORT
OF

This Annual Report is prepared by Loyola University of Chicago, an Illinois not for profit corporation (the “University”), in compliance with (a) the Voluntary Continuing Disclosure Undertaking Agreement (the “2011 Voluntary Continuing Disclosure Agreement”) dated as of August 15, 2011, in connection with the Commercial Paper Revenue Notes (Loyola University of Chicago Financing Program) (the “2008 Commercial Paper Revenue Notes”) of the Illinois Finance Authority (as successor to the Illinois Educational Facilities Authority, the “Authority”); (b) the Continuing Disclosure Agreement (the “2007 Continuing Disclosure Agreement”) dated as of April 12, 2007, entered into in connection with the Revenue Bonds Series 2007 (Loyola University of Chicago) (the “Series 2007 Bonds”) of the Authority; (c) the Continuing Disclosure Agreement (the “2004A Continuing Disclosure Agreement”) dated as of December 2, 2004, entered into in connection with the Revenue Bonds Series

Enrollment of freshmen at the University and the number of undergraduate student transfers for the academic years 2007-08 through 2011-12 are as follows:

Freshman and Transfer Enrollment

Academic Year	Freshman
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Tuition and Fees. The University meets the costs of its educational programs primarily through tuition, fees, gifts and grants. Tuition is charged at different rates 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 2011-12 academic year and the tuition charged in the preceding four academic years.

	<u>Tuition</u>				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Undergraduate Schools.....	\$27,200	\$28,700	\$29,850	\$31,040	\$32,200
Graduate School					

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, 2011. Amounts shown below are calculated based on generally accepted accounting principles as set forth in the University's audited financial statements and therefore reflect the amount accrued at the time a pledge is made. Actual cash payments may occur over several-year periods. A bequest is recognized when the cash is received.

Gifts and Bequests

Fiscal Year Ended June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2007	1,634	9,927	9,231	20,792
2008	3,054	13,816	9,572	26,442
2009	8,532	10,926	6,105	25,563
2010 ⁽¹⁾	35,851	39,985	5,779	81,615
2011	2,027	11,934	4,785	18,746

⁽¹⁾ 2010 includes a one-time \$50.1 million gift of property, artwork, cash and securities from the Cuneo Foundation, the largest gift in the University's history. \$29.8 million was recorded in unrestricted gifts while the remaining \$20.3 million was recorded in temporarily restricted gifts.

Cash and Investments

The market value of the University's cash and investments (collectively, "Total Investments") at June 30, 2007 through 2011 and the total gift of (g) 6 (784 al) 12 (th) 7 (eI-16on38(v(n)6(i3(d)5(cc)-15(u)6(r)-3ET EMC /P AMCID

Notes program is supported by a direct pay letter of credit from PNC Bank, National Association (the “PNC Commercial Paper Facility”).

- (3) Principal amount outstanding is subject to currency (Euro) fluctuations.
- (4) The University maintained a \$50 million unsecured bank line of credit with JPMorgan Chase Bank, N.A., until it expired on November 30, 2010. On February 28, 2011, the University entered into a 364 day credit agreement with PNC Bank, National Association (the “PNC Revolving Credit Facility”), under which the University may now borrow up to \$20 million (previously \$50 million as described in footnote 5 below) on a revolving loan basis. Borrowings under the line of credit may bear interest at rates based on LIBOR, the Prime Rate, or other negotiated rates. During the fiscal year ended June 30, 2011, there was no balance outstanding nor any interest paid on any line of credit.
- (5)

Maximum Annual Debt Service Coverage

June 30, 2011

Average University Revenues (fiscal year
2010 and 2011)

So long as (a) the PNC Revolving Credit Facility remains in effect; or (b) the Term Loan Agreement remains in effect; or (c) any Commercial Paper Revenue Notes remain outstanding that are secured by the PNC Commercial Paper Facility, the University is required to meet the same tests for the incurrence of Additional

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 Note 3 of Notes to Consolidated Financial Statements for a summary of significant accounting policies.

Healthcare Affiliates - Trinity Transaction

With a positive 21.7% investment return in fiscal year 2011, the market value of the University's endowment fund assets increased to \$388.7 million at June 30, 2011 from \$315.3 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 3.1% for 2011 and 3.4% for 2010.

Unrestricted net assets from continuing operations increased \$102.9 million in fiscal year 2011 primarily

pursuant to the Academic Affiliation Agreement. The University has no legal obligation to make payments of debt service on any indebtedness of the Health System, LUMC or any affiliate.

Under the Master Indenture, except as otherwise expressly set forth, all financial tests or reports shall be based, at the University's option, but applied on a consistent basis with respect to a calculation made in a particular instance, on either (A) the unconsolidated financial statements of the University without

Selected Financial Information

	June 30, 2011	June 30, 2010
Cash Equivalents and Short Term Investments	80,354	101,849
Endowment and Other Long-Term Investments.....	400,304	331,529
Land, Building and Equipment (net of depreciation).....	788,048	705,707
Other Assets.....	289,535	71,896
 Total Assets	 1,558,241	 1,210,981
 Indebtedness	 285,905	 291,596
Other Liabilities	178,531	167,961
Net Assets	1,093,805	751,424
 Total Liabilities and Net Assets.....	 1,558,241	 1,210,981

Healthcare Affiliates Trinity Transaction

On March 4, 2011, the University entered into the Letter of Intent with Trinity and on March 31, 2011, the University entered into the Definitive Agreement with Trinity. As described above, pursuant to the Definitive Agreement, effective on July 1, 2011, Trinity replaced the University as the sole member of the Health System, and otherwise directly or indirectly assumed control of LUMC, GMH, LUCIC, an offshore captive insurance company that the University transferred to the Health System in 1997, and the other healthcare affiliates (other than Loyola University Physician Foundation) of the Health System.

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 healthcare affiliates, and these entities no longer will be included in the consolidated audited financial statements of the University effective for the fiscal year beginning July 1, 2011. 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. Effective as of July 1, 2011, all assets and liabilities of the Health System and its affiliates were removed from the statement of net assets of the University. The financial effect of the Trinity Transaction on the University's Fiscal Year 2011 Financial Statements was to increase the University's net assets by \$42.3 million, and the operations of the Healthcare Affiliates are now reported as discontinued operations.

As described above

Additionally, GMH was substituted for GHR as the sole member of two other Gottlieb related entities. Neither GHR, GMH nor any of its subsidiaries was prior to June 30, 2011, nor will any of such entities be liable thereafter, for any indebtedness of the University including any Obligation incurred by the University under the Master Indenture or is subject to any of its covenants. GHR was dissolved in 2010 but the Health System continued to be the sole member of GMH and the other Gottlieb related entities until June 30, 2011 and the completion of the Trinity Transaction.

LUPF. Loyola University Physician Foundation, an Illinois not for profit corporation (“LUPF”), was a
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