2017

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,
Loyola545.578 -1.3 ()3 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 22, 2017

This Annual Report (this "Annual Report") is prepared by Loyola University of Chicago, an Illinois not for profit corporation (the "University"), in compliance with (a) the Continuing Disclosure Agreement (the "2012B Continuing Disclosure Agreement") dated as of May 31, 2012, entered into in connection with the Illinois Finance Authority (the "Authority") Revenue Bonds, Loyola Universityc 8 n

except for the limited purposes described below under the caption "Trinity Transaction – Relationship with Health System" pursuant to the Academic Affiliation Agreement 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
($000's)

	Fiscal Year Ended June 30	
	2017	**2016**
Cash Equivalents and Short-Term Investments	$232,918	$184,460
Endowment and Other Long-Term Investments	674,242	613,374
Land, Building and Equipment (net of depreciation)	1,109,907	1,141,468
Receivable from Trinity Health Corporation	10,728	13,983
Other Assets	115,988	110,478(1)
Total Assets	$2,143,783	$2,063,763
Indebtedness	446,433	483,002(1)
Other Liabilities	217,719	

Board

The University reserves the right to revise its charges from time to time, as determined by the Board of Trustees. Future economic and other conditions may affect the University's ability to increase its tuition and fees. Although the University has increased tuition in recent years and believes that it would be able to increase its tuition and fees without adversely affecting its future enrollment, there can be no assurance that it will be able to do so.

Student Housing. In Fall 2017, approximately 4,600 students occupied on-campus residences. There are currently 19 residential facilities at the Lake Shore Campus, and there is one residential facility at the Water Tower Campus. For the current academic year, the average cost for a traditional double room and 7-Day All Access meal plan totals $14,080.

Financial Aid. During the 2016-17

Cash and Investments

The market value of the University's cash and investments (collectively, "Total Investments") at June 30, 2012 through June 30, 2016 and the total return on Total Investments for the fiscal years then ended are set forth in the table below. The University records investment results net of management fees.

Market Value of Total Investments and Total Return
($000's)

Fiscal Year Ended June 30	**Real Assets[1]**	**Cash and Cash Equivalents[2]**	**Fixed Income**	**Equity[3]**	**Total Investments**	**Total Return[4]**
2013………………	53,136	193,566	232,147	302,359	781,208	57,430
2014………………	56,947	96,651	300,930	388,020	842,548	78,248
2015………………	56,350	66,480	302,223	380,566	805,619	3,944
2016……………....	58,778	71,205	274,336	393,515	797,834	(1,039)
2017………………	64,487	76,847	313,315	452,511	907,160	68,867

(1) Real Assets investments include private real estate funds and other investments expected to function as hedges against inflation.
(2) Includes amounts not included in Cash and Cash Equivalents on the balance sheet at fiscal year-end.
(3) Equity investments include marketable equities, private capital and marketable alternative investments.
(4) Total return on investments includes interest, dividends and realized and unrealized gains and losses on investments and interest earned on cash and cash equivalents.

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 2013 through 2017. The actual replacement value of the University's physical plant, as determined for insurance purposes as of June 1, 2017, was

“Capitalization”, “Maximum Annual Debt Service Coverage” or “Debt Service Schedule” below; and (b) the 2017 Term Loan: (1) was not included in 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 LU Affiliate) as of June 30, 2017.

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

Capitalization
($000's)

	June 30, 2017
Unrestricted Net Assets	$1,114,437
Temporarily Restricted Net Assets	187,396
Permanently Restricted Net Assets	177,798
Total Net Assets	1,479,631
Indebtedness	446,433
Indebtedness plus Net Assets	$1,926,064
Ratio (Not to exceed 50%)	23.2%

Maximum Annual Debt Service Coverage
($000's)

	June 30, 2017
Average University Revenues (fiscal years 2016 and 2017)	$570,273
Maximum Annual Long-Term Debt Service Requirements(1)	$26,254
Ratio (Not to exceed 10%)	4.60%

(1) The Master Indenture permits the computation of long-term debt service requirements of Balloon Indebtedness, such as that represented by the 2008 Commercial Paper Revenue Notes, assuming that such debt is amortized on level debt service basis over 30 years at an assumed interest rate required by the Master Indenture, which has been done for purposes of the computations of maximum annual debt service included above.

Under the Master Indenture, the University is authorized to establish long-term 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, 2017.

In addition, so long as (a) the Term Loan Agreement dated November 17, 2011 between the University and PNC Bank, National Association (the "2011 Term Loan Agreement"), in connection with the 2011 Term Loan, remains in effect; or (b) the 2017 Term Loan Agreement, in connection with the 2017 Term Loan (see "Outstanding Long-Term Indebtedness" above), remains in effect; or (c) any 2008 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 Indebtedness as those required under the Master Indenture, including that the University may not issue Additional Indebtedness unless the University satisfies either of the following:

- ♦ if the University elects to satisfy the capitalization test described above, then it must also comply with either the maximum annual long-term debt service coverage test described above, or one of the following two tests:

- — the Maximum Annual Debt Service Coverage Ratio of the University for the most recent Fiscal Year on all Funded Indebtedness, including the debt to be issued, must be not less than 1.20 to 1, or
- — the Debt Service Coverage Ratio of the University for the most recent Fiscal Year on all Funded Indebtedness, but not the debt to be incurred, is not less than 1.20 to 1 and a consultant’s report shows that taking the proposed debt into account, the Projected Debt Service Coverage Ratio for the two full Fiscal Years following the issuance (or, for a capital project, the two full Fiscal Years following completion) is not less than 1.20 to 1. If the Projected Debt Service Coverage Ratio is at least 1.30 to 1, the University may deliver an officer’s certificate in lieu of such consultant’s report;

or

- ♦ if the University elects to satisfy the Maximum Annual Long-Term Debt Service Coverage test first described above, then it must also comply with either the capitalization test or the University’s unrestricted net assets plus temporarily restricted net assets minus net investment in plant must be at least 65% of all long-term [illegible]

Annual Debt Service Requirements

The following table sets forth, as of the date of this Annual Report, 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.

Debt Service Schedule[(1)]

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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 2018 in which the assumed interest rate is 1.50%, year 2019 is 2.00%, and year 2020 is 2.50%). 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) See "Outstanding Long-Term Indebtedness" above.

(4) Denominated in Euros due in 2029 on the Rome Center property with an effective rate of 1.51% and approximately $10,000,000 outstanding (subject to fluctuations in the Euro).

(5) LUC leases equipment under leases classified as capital leases. In 2017, total accumulated amortization related to the leased equipment was $0.5 million and the interest rate was between 4.99% and 5.03%. Capital lease obligations at June 30, 2017 were $0.8 million and are included as part of Indebtedness.

(6) See "Outstanding Long-Term Indebtedness" above.

Trinity Transaction – Relationship with Health System

Effective July 1, 2011, the University completed a transaction with Trinity 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

As part of the consideration under the Definitive Agreement, Trinity provided a payment to the University of $100 million, 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.

The University owns the central part of the Health Sciences/Medical Center Campus. This central part is the "Academic/Health Sciences Zone" and includes, among other facilities, the Medical School's Cuneo Center, 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 CTRE. 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