The Michael R. and Marilyn C. Quinlan Life Sciences Education and Research Center

Preparing People to Lead Extraordinary Lives

LOYOLA
UNIVERSITY
CHICAGO

Consolidated Financial Statements, Additional Information, and Independent Auditors' Report

YEARS ENDED JUNE 30, 2005 AND 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Loyola University of Chicago
Chicago, Illinois

We have audited the accompanying consolidated statements of financial position of Loyola University of Chicago ("LUC") as of June 30, 2005 and 2004, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of LUC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LUC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of LUC as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 23, 2005

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2005 AND 2004
($000s)

	University Academic	LUHS	Eliminating Entries	2005 Consolidated Total	2004 Consolidated Total
ASSETS					
CASH AND CASH EQUIVALENTS	$ 124,589	$ 47,136	$ -	$ 171,725	$ 155,704
INTERFUND BALANCES	8,565		(8,565)		
RECEIVABLES	53,244	136,140		189,384	185,378
OTHER ASSETS	6,148	66,981		73,129	79,833
INVESTMENTS	276,835	225,999		502,834	431,917
ASSETS HELD IN TRUST BY OTHERS	40,713			40,713	22,455
INTEREST HELD IN PERPETUAL TRUST	7,755			7,755	7,781
LAND, BUILDINGS AND EQUIPMENT - NET	358,098	323,459		681,557	622,649
TOTAL ASSETS	$ 875,947	$ 799,715	$ (8,565)	$ 1,667,097	$ 1,505,717
LIABILITIES AND NET ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 72,203	$ 76,846	$ -	$ 149,049	$ 138,553
DEFERRED INCOME	20,034			20,034	18,381
UNEXPENDED GRANTS	19,016			19,016	19,106
REFUNDABLE ADVANCES - LOANS	16,573			16,573	16,634
INDEBTEDNESS	272,053	296,067		568,120	504,756
SELF-INSURANCE	7,810	119,574		127,384	114,393
INTERFUND BALANCES		8,565	(8,565)		
OTHER LIABILITIES	1,188	30,332		31,520	30,100
TOTAL LIABILITIES	408,877	531,384	(8,565)	931,696	841,923
NET ASSETS:					
Unrestricted	243,604	258,893		502,497	447,701
Temporarily restricted	137,111	3,151		140,262	127,170
Permanently restricted	86,355	6,287		92,642	88,923
TOTAL NET ASSETS	467,070	268,331	-	735,401	663,794
TOTAL LIABILITIES AND NET ASSETS	$ 875,947	$ 799,715	$ (8,565)	$ 1,667,097	$ 1,505,717

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004
($000s)

	University Academic	LUHS	Eliminating Entries	2005 Consolidated Total	2004 Consolidated Total
OPERATING REVENUES:					
Tuition and fees, net of scholarships $69,290 (2005) and $60,433 (2004)	$ 189,405	$ -	$ -	$ 189,405	$ 164,636
Grants and contracts for sponsored projects	54,315	3,629		57,944	57,394
Academic support	48,310		(19,056)	29,254	29,577
Gifts	4,778	451		5,229	2,405
Interest income	2,503			2,503	1,418
Investment income designated for operations	871	17,821		18,692	4,680
Other	11,753	36,225		47,978	41,813
Auxiliary services	26,785			26,785	22,612
Net patient service revenues		652,497		652,497	621,185
Research and education net assets for operations	2,940			2,940	1,313
Net assets released from restrictions	12,592	1,045		13,637	10,877
Total operating revenues	354,252	711,668	(19,056)	1,046,864	957,910
OPERATING EXPENSES:					
Salary	159,334	275,077		434,411	409,262
Benefits	39,419	55,314		94,733	98,811
Non-salary operating expenses	86,791	269,417	(18,635)	337,573	312,726
Insurance	1,940	43,304		45,244	40,137
Depreciation	22,578	28,342		50,920	48,849
Interest	10,699	14,966		25,665	20,575
Utilities	7,037	9,559		16,596	14,299
Total operating expenses	327,798	695,979	(18,635)	1,005,142	944,659
RESULTS OF OPERATIONS	26,454	15,689	(421)	41,722	13,251
NON-OPERATING ACTIVITIES:					
Investment income net of amounts designated for operations	8,024	(1,289)		6,735	14,512
Other	5,042	606	421	6,069	10,464
Gain on sale of property	158			158	3,301
Change in pension liability					24,409
Transfer of net assets	3,052			3,052	3,281
Research and education net assets for operations	(2,940)			(2,940)	(1,313)
Total non-operating activities	13,336	(683)	421	13,074	54,654
Increase in unrestricted net assets	39,790	15,006	-	54,796	67,905
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Gifts	11,557	880		12,437	7,518
Investment income	17,217			17,217	27,453
Change in annuity value	16			16	329
Other	44			44	44
Transfer of net assets	(2,985)			(2,985)	(3,167)
Net assets released from restrictions	(12,592)	(1,045)		(13,637)	(10,877)
Increase in temporarily restricted net assets	13,257	(165)	-	13,092	21,300
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Gifts	3,879	10		3,889	1,737
Change in value of perpetual trust	(103)			(103)	605
Transfer of net assets	(67)			(67)	(114)
Increase in permanently restricted net assets	3,709	10	-	3,719	2,228
Increase in net assets	56,756	14,851		71,607	91,433
Net assets at beginning of year	410,314	253,480		663,794	572,361
Net assets at end of year	$ 467,070	$ 268,331	$ -	$ 735,401	$ 663,794

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004
($000s)

	University Academic	LUHS	Eliminating Entries	2005 Consolidated Total	2004 Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase in net assets	$ 56,756	$ 14,851	$ -	$ 71,607	$ 91,433
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:					
Add/Deduct Non-Cash Transactions:					
Depreciation	22,578	28,342		50,920	48,849
Gifts in kind	(1,353)			(1,353)	
Gain on sale of property	(158)			(158)	(3,301)
Minimum pension liability					(24,409)
Change in unrealized gain on investments	(727)	(1,699)		(2,426)	(16,421)
	20,340	26,643		46,983	4,718
Changes in assets and liabilities:					
Receivables	2,608	(8,542)		(5,934)	9,666
Notes receivable from subsidiary	1,480		(1,480)		
Other assets	(1,444)	8,148		6,704	16,881
Accounts payable and accrued expenses	853	9,643		10,496	2,920
Deferred income / unexpended grants	1,563			1,563	3,572
Self-insurance	(240)	13,231		12,991	15,604
Interest held in perpetual trust	26			26	(605)
Refundable advances - loans	(61)			(61)	3
Other liabilities	(39)	1,459		1,420	(3,656)
Interfund balances	(927)	927			
Total change in assets and liabilities	3,819	24,866	(1,480)	27,205	44,385
Net cash from operating activities	80,915	66,360	(1,480)	145,795	140,536
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	69,642	84,060		153,702	257,323
Purchase of investments	(96,286)	(125,907)		(222,193)	(293,218)
Proceeds on disposal of property	262			262	18,526
Purchase of property	(68,615)	(39,964)		(108,579)	(95,319)
Student loans issued	(2,496)			(2,496)	(4,227)
Student loans collected	4,424			4,424	4,525
Net cash from investing activities	(93,069)	(81,811)		(174,880)	(112,390)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds of bond issue	58,800	13,000		71,800	121,155
Retirement of debt	(1,292)	(8,624)	1,480	(8,436)	(107,987)
Deposit of bond proceeds with trustee	(54,642)			(54,642)	(25,000)
Withdrawal of trusteed bond funds for construction	36,384			36,384	2,545
Net cash from financing activities	39,250	4,376	1,480	45,106	(9,287)
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,096	(11,075)		16,021	18,859
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	97,493	58,211		155,704	136,845
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 124,589	$ 47,136	$ -	$ 171,725	$ 155,704

See notes to consolidated financial statements

(1) Overview of Loyola University of Chicago

Loyola University of Chicago (LUC) is a private, coeducational, not-for-profit institution of higher education, research and health care founded in 1870 by the Society of Jesus (Jesuits). The University patron saint and namesake is St. Ignatius Loyola (1491-1556), the founder of the Society of Jesus, which today is the largest religious order in the Roman Catholic Church. The LUC consolidated financial statements are comprised of Higher Education, Loyola Management Company (LMC), Mundelein College (Mundelein) (collectively, University Academic), and Loyola University Health System (LUHS) (see Note 4). University Academic operates on four campuses providing educational services to approximately fourteen thousand students primarily in undergraduate, graduate, and professional degree programs. LUC performs research, training and other services under grants and contracts with government agencies and other sponsoring organizations. Mundelein and LMC exist to provide limited services for the benefit of LUC. LUHS is a wholly-owned subsidiary corporation of Loyola University of Chicago with an integrated health care delivery system providing a full continuum of health care services and competencies in primary care and tertiary care medicine.

(2) Tax Status

LUC, Mundelein, and LUHS are exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code (IRC), except with regard to unrelated business income, which is taxed at corporate income tax rates. LMC is exempt from income taxes under section 501(c)(2) of the IRC. Loyola University of Chicago Insurance Company Ltd. (LUCIC), a wholly-owned subsidiary of LUHS, is a for-profit Cayman Islands insurance company not exempt from income taxes.

(3) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). These principles require management to make estimates and judgments affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates. Significant inter-company balances and transactions have been eliminated. These transactions are reflected in the eliminating entries column of the consolidated financial statements. Net assets, revenues, and investment income or loss are classified based on the existence or absence of donor-imposed restrictions, as follows:

Permanently Restricted - Net assets subject to donor-imposed restrictions requiring that the assets be retained permanently and invested. Restrictions permit the use of some or all of the income earned on the invested assets for specific purposes.

Temporarily Restricted - Net assets with donor-imposed restrictions expiring with the passage of time, the occurrence of an event, or the fulfillment of certain conditions. When donor-imposed restrictions are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Unrestricted - Net assets not subject to donor-imposed stipulations.

Operations

Revenues received and expenses incurred in conducting the programs and services are presented in the consolidated financial statements as operating activities. Non-operating results include investment income or loss, changes in risk retention liability, gains or losses on the sale or disposal of property, non-recurring items and net change to the research and education assets.

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received and reported at present value. The gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations limiting their use. The expiration or fulfillment of donor-imposed restrictions on contributions is recognized in the period in which the restriction expires or the restrictions are fulfilled and are shown as net assets released from restrictions in operating revenue.

Certain unrestricted net assets are designated by management for specific purposes or uses under various internal agreements.

Tuition and fee revenue is reported in the fiscal year in which the educational program is predominantly conducted. Grant and contract revenue is recognized when the expenses are incurred. Academic support and auxiliary service revenues are recognized when earned as unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents are liquid investments having original maturities of three months or less, excluding certain instruments held in the endowment pending reinvestment or which are on deposit with a trustee.

Assets Held in Trust by Others

Assets held in trust are bond-trustee held assets to be used for future capital expenditures.

Investments

Investments are recorded at fair market value. The value of investments in publicly-traded fixed income and equity securities is based on quoted market prices. Certain fixed income securities may be valued based on dealer-supplied valuations. The value of investments not having a readily determined market value are based on estimates provided by external investment managers and is reviewed by management. Investment income is recorded on the accrual basis and purchases and sales of investment securities are recorded on a trade-date basis.

Derivative Financial Instruments

University Academic uses derivative financial instruments, primarily futures and options, in the management of its endowment portfolio to invest liquid cash, increase or decrease capital market exposures and to hedge the risk of a decline in value of certain equity securities. University Academic and LUHS use derivative financial instruments to offset interest rate risk or to otherwise modify the characteristics of their debt portfolio. All such financial instruments are marked to market and recorded at fair value.

Interest Held in Perpetual Trust

LUC is the beneficiary of funds held in trust. LUC does not control or have possession of these funds, but receives income from the trust in support of University Academic's Stritch School of Medicine (SSOM). Funds are recognized at the estimated fair value of future cash flows, which is estimated to equal the fair market value of the assets.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Depreciation is calculated on a straight-line method using the following useful lives: buildings and building improvements, 5 to 40 years; equipment, 3 to 20 years; and books, 5 years. LUC uses the component method of capitalization.

Reclassification

Certain reclassifications have been made to the 2004 balances to conform to the 2005 presentation.

(4) Loyola University Health System

Organization

LUHS is a regional integrated health care delivery system providing a full continuum of health care services and competencies in primary care and tertiary care medicine. LUHS provides services to patients in various settings, including a tertiary care hospital, home care and hospice services, outpatient service facilities, immediate care facilities and primary care practice sites.

LUC is the sole corporate member of LUHS, and LUHS is the sole corporate member of Loyola University Medical Center (LUMC) and LUCIC. LUMC is an Illinois not-for-profit corporation exempt from federal income taxes as an organization described in Section 501(c)(3) of the IRC.

Basis of Presentation

LUHS maintains its accounts and prepares stand-alone audited financial statements in conformity with accounting principles generally accepted in the United States of America or recommended in the Audit and Accounting Guide (Health Care Organizations) published by the American Institute of Certified Public Accountants.

Agreements with Parent Corporation

Affiliation and Operating Agreement - LUC and LUMC are participants in an Affiliation and Operating Agreement which provides for financial, operating, and shared services relationships between the organizations. Under this agreement LUMC makes payments to LUC for the following: reimbursements received by LUMC for direct medical education; a portion of the salaries and benefits of the SSOM faculty who provide health management services to LUMC; general support to University Academic; and capital support to SSOM. These amounts totaled $30.2 million for 2005 and $28.5 million for 2004.

Shared Services - Certain service departments in LUC and LUMC provide services to both entities. Examples of such shared services include portions of Information Services, Human Resources, and Housekeeping. The Affiliation and Operating Agreement defines allocation methodologies to be used to allocate costs for these services. These methodologies were consistently applied in 2005 and 2004.

Facilities Leases - In October 1995 LUC and LUMC entered into ten-year lease agreements to lease certain facilities space from each other and to pay prevailing competitive rates for use of the facilities. LUMC's rental of LUC facilities exceeds LUC's rental of LUMC facilities, and LUC agreed to forgive the annual rent differential. As required by the Affiliation and Operating Agreement, the amount forgiven under these leases was $1.8 million in 2005 and $3.7 million in 2004. These lease amounts are not reflected in the consolidated statements of activities and changes in net assets.

1997 Debt Refinancing Agreement - As part of the 1995 transfer of health care operations to LUMC, LUC and LUMC entered into certain Affiliate Guaranties related to LUC's then-outstanding bonds. In 1997, LUC and LUHS refinanced substantially all of LUC's and LUHS' debt in order to release LUMC from the restrictions of the Affiliate Guaranties and to separate LUC's credit from LUHS' credit. LUC, LUMC and LUHS entered into the 1997 Debt Refinancing Agreement which provides that LUMC and LUHS will pay LUC for any costs and expenses associated with refunding or defeasing

LUC debt affected by the refinancing, including any ongoing increases in debt service resulting from the transaction or receive credit to the extent the variable interest rates produce effectively lower debt service. Because much of the refinanced debt originally paid variable rates of interest, the amounts payable between LUC and LUMC prior to 2003 have varied each year. As of June 30, 2003 LUMC and LUC agreed to discontinue payments under the debt service provisions, but other provisions of the agreement remain in place.

Net Patient Service Revenues

LUMC has agreements with third-party payers that provide for payments to LUMC at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, per diem payments, discounted charges and reimbursed costs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. LUMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity continues with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes that LUMC is in substantial compliance with current laws and regulations.

In 2005, LUHS received $20.1 million of Hospital Access Improvement payments from the Illinois Medicaid program. The payments are included in net patient services revenues. LUHS paid a related hospital assessment of $12.3 million in 2005, which is included in non-salary operating expenses. The amount of such special payments from the Illinois Medicaid program, if any, that will be made to hospitals in the future is uncertain.

(5) Investments

University Academic

Investment policy for endowment assets is the responsibility of the Investment Committee of the Board of Trustees. Substantially all endowment assets are managed by outside investment managers and held in custody by third-party financial institutions.

The fair value of investments at June 30, 2005 and 2004 was:

(in thousands of dollars)	2005	2004
Marketable equity investments	$145,311	$123,497
Private equity investments	39,603	40,005
Absolute return/hedge funds	20,398	19,111
Fixed income investments	59,357	53,250
Real estate	3,017	5,097
Cash pending investment	9,149	8,504
Total investments	$276,835	$249,464

Fair values of financial instruments approximate their carrying values in the consolidated financial statements except for indebtedness for which fair value information is provided in Note 8. The endowment portfolio is obligated to make future capital contributions in the maximum amount of $9.6 million in private equity investments primarily over the next five years.

Derivative Financial Instruments

University Academic uses derivative financial instruments, primarily futures and options, in the management of its endowment portfolio to invest liquid cash, increase or decrease capital market exposures and to hedge the risk of a decline in value of certain equity securities. Such financial instruments are classified as trading activity, not as hedges, and are marked to market and recorded at a notional value by recognizing gains and losses.

In 2005, the endowment investment portfolio used futures for the express purpose of maintaining the endowment asset allocation as close as possible to the policy allocation. Futures are used to maintain a fully invested position and to increase (with long positions) or decrease (with short positions) the portion of the portfolio allocated to stocks, bonds and cash. Futures are not used for tactical investment decisions or to speculate on the future direction of markets. Realized gains and losses from derivative investments are included in investment income. Futures positions are fully collateralized and do not create leverage in the endowment portfolio.

The use of futures contracts on equity and bond markets during 2005 and 2004 generated $1.5 million and $3.3 million in gains, respectively. As of June 30, 2005, and 2004, respectively, the endowment portfolio held futures contracts with a notional value of $33.4 million and $24.1 million. The net impact of the futures held at June 30, 2005 is to reduce the cash position in the endowment portfolio by 8.4% ($21.6 million), while increasing equity assets by 10.6% ($27.5 million) and reducing the bond assets by 2.2% ($5.9 million).

At June 30, 2005, five option positions were held in the portfolio with a notional value of ($278) thousand, offsetting underlying stock positions of $1.3 million. At June 30, 2004, three option positions were held in the portfolio with a notional value of ($153) thousand offsetting underlying stock positions of $0.8 million. Realized gains on exercised or expired options were $227 thousand in 2005 and $188 thousand in 2004.

The endowment portfolio may invest in commingled funds that employ derivative-based strategies as part of a diversified investment strategy.

Investment Return

Investment return, net of management fees, for the years ended June 30, 2005 and 2004 was:

(in thousands of dollars)	2005	2004
Interest and dividend income (net of fees)	$ 5,858	$ 3,245
Net realized gains	19,527	22,408
Net unrealized gains	727	13,613
Total net return on investment	$26,112	$39,266

Interest income on cash and cash equivalents of $2.5 million in 2005 and $1.4 million in 2004 is not included in the investment return. The endowment's total investment return (net of management fees) for the years ended June 30, 2005 and 2004 was 10.6% and 20.5%, respectively.

Endowment

The following table provides a summary of the change in the fair market value of the endowment investment portfolio for the years ended June 30, 2005 and 2004:

(in thousands of dollars)	2005	2004
Beginning of year endowment value	$ 228,130	$ 188,545
Gifts and transfers:		
Contributions (excluding pledges)	3,250	1,775
Transfers	7,924	4,744
Total gifts and transfers	11,174	6,519
Investment income:		
Interest and dividend income (net of fees)	5,320	2,752
Net realized gains	19,151	21,795
Net unrealized gains	469	14,502
Total investment income	24,940	39,049
Income distributed for operating purposes:		
Scholarships	(1,393)	(1,655)
Endowed chairs	(1,447)	(1,459)
Research	(795)	(966)
Other	(1,491)	(1,903)
Total income distributed for operating purposes	(5,126)	(5,983)
End of year endowment value	$ 259,118	$ 228,130

Endowment net assets at June 30 are classified as follows:

(in thousands of dollars)	2005	2004
Unrestricted	$ 86,971	$ 73,919
Temporarily restricted	95,334	80,581
Permanently restricted	76,813	73,630
Total endowment net assets	$259,118	$228,130

Endowment Spending

University Academic uses a total return linked endowment spending policy. Endowment spending can consist of interest, dividends or accumulated capital gains when necessary. The primary benefit of a total return linked spending policy is to separate the spending decision from short-term investment results. Therefore, long-term investment strategy can be established independently of short-term income and spending needs. The current endowment spending rate is capped at 5.0%. At present, the spending is less than 5.0% in an effort to grow endowment funds at a higher rate. The spending rates applied to eligible endowment funds were 3.0% and 4.0% in 2005 and 2004, respectively.

LUHS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. The real estate investment is valued at cost and represents land not used in current operations. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the results from operations in the consolidated statements of activities and changes in net assets, unless the income or loss is restricted by donor or by law. Unrealized gains and losses on investments, unless considered impaired, are excluded from results of operations and are recorded as non-operating activity in the consolidated statements of activities and changes in net assets.

As of June 30, 2005 and 2004, the aggregate amounts of unrealized losses reflected in investments were $2.3 million and $1.9 million on investments with a fair value of $58.5 million and $54.3 million, respectively. Management believes that these individual investments, which have not had an impairment recorded, have not met the criteria for recording an other-than-temporary impairment.

Gains and losses are calculated using the average cost method. LUHS recognized losses on impaired investments of $907 thousand and $737 thousand for the years ended June 30, 2005 and 2004, respectively, related to investments whose market value was significantly less than cost for an extended period of time. LUHS recorded unrealized gains on investments of $1.7 million and $2.8 million in 2005 and 2004, respectively.

The fair value of investments at June 30, 2005 and 2004 was:

(in thousands of dollars)	2005	2004
Marketable equity investments	$ 76,113	$ 50,520
Fixed income investments	142,411	124,479
Real estate	7,475	7,454
Total investments	$225,999	$182,453

Investment return for the years ended June 30, 2005 and 2004 was:

(in thousands of dollars)	2005	2004
Interest and dividend income	$ 3,933	$3,124
Net realized gains	10,900	1,447
Net unrealized gains	1,699	2,808
Total investment income	$16,532	$7,379

(6) Notes and Accounts Receivable

Notes and accounts receivable at June 30, 2005 and 2004 consisted of:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Student loan notes (less allowance for doubtful accounts of $2,279 (2005) and $2,660 (2004))	$19,079	$ -	$ 19,079	$ 20,822
Contributions (less discount of $3,092 (2005) and $3,650 (2004) and allowance for doubtful accounts of $1,378 (2005) and $1,524 (2004))	13,983	33	14,016	15,778
Health care (less allowance for doubtful accounts of $25,712 (2005) and $24,358 (2004))		136,107	136,107	127,527
Student receivables (less allowance for doubtful accounts of $9,790 (2005) and $7,077 (2004))	6,185		6,185	6,600
Grant receivables (less allowance for doubtful accounts of $825 (2005) and $1,016 (2004))	7,510		7,510	8,968
Other (less allowance for doubtful accounts of $728 (2005) and $1,001 (2004))	6,487		6,487	5,683
Total notes and accounts receivable	$53,244	$136,140	$189,384	$185,378

Contributions receivable at June 30, 2005 and 2004 are due in the following periods:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
In one year or less	$ 4,363	$ 33	$ 4,396	$ 4,218
Between one year and five years	12,543		12,543	14,464
More than five years	1,547		1,547	2,270
Discount $3,092 (2005) and $3,650 (2004) and allowance for doubtful accounts of $1,378 (2005) and $1,524 (2004)	(4,470)		(4,470)	(5,174)
Total contributions receivable	$ 13,983	$ 33	$ 14,016	$ 15,778

(7) Land, Buildings and Equipment

Components of land, buildings, equipment, and library books at June 30, 2005 and 2004 were:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Land	$ 46,283	$ 7,205	$ 53,488	$ 41,968
Buildings	459,196	348,104	807,300	720,531
Equipment	47,896	154,074	201,970	168,928
Library books and art	20,348		20,348	20,094
Construction in progress	32,791	22,825	55,616	80,129
Other real estate	34,449		34,449	43,231
Total	640,963	532,208	1,173,171	1,074,881
Accumulated depreciation	(282,865)	(208,749)	(491,614)	(452,232)
Land, buildings, and equipment - net	$ 358,098	$ 323,459	$ 681,557	$ 622,649

(8) Indebtedness

Notes and bonds payable as of June 30, 2005 and 2004 are shown below:

(in thousands of dollars)	Final Maturity	Interest Rate	2005	Interest Rate	2004
University Academic					
Fixed rate:					
Illinois Finance Authority (IFA) (formerly Illinois Educational Facilities Authority (IEFA)):					
Series 1997A convertible bonds	2026	5.70%	$ 27,635	5.70%	$ 27,635
Series 1997C taxable bonds	2013	6.88-7.12%	42,430	6.88-7.12%	42,430
Series 2003A bonds	2027	5.00%	28,155	5.00%	28,155
Series 2003B bonds	2022	5.60%	37,520	5.60%	37,520
Series 2004A bonds	2026	5.00-5.25%	24,000		
Series 2003C direct obligation bonds	2019	4.80-5.30%	40,805	1.65-5.30%	41,480
Medium-term note	2018	7.52%	21,100	7.52%	21,100
Mortgage notes:					
6566-82 N. Sheridan Rd.	2010	9.00%	586	9.00%	676
6542-48 N. Sheridan Rd.	2016	9.50%	724	9.50%	765
845-847 N. State Street	2009	2.50%	1,000	2.50%	1,250
Capital Lease	2007	8.31%	186	8.31%	297
City of Chicago Loan	2013	0.00%	938	0.00%	1,063
Total fixed rate			$225,079		$202,371

(in thousands of dollars)	Final Maturity	Interest Rate	2005	Interest Rate	2004
University Academic (continued)					
Variable rate: *					
IFA Series 2004B bonds	2035	3.00%	$ 34,800		$ -
IEFA commercial paper pool	2014	2.45%	12,174	1.07%	12,174
Total variable rate			$ 46,974		$ 12,174
Total University Academic indebtedness			$272,053		$214,545

* Interest rates shown in the Variable Rate section of this chart represent the average outstanding interest rate at June 30.

During 2005 University Academic entered into an unsecured bank line of credit under which it may borrow $20.0 million related to the University's graduate and professional student loan program. Borrowings under this line of credit bear interest at the commercial paper rate plus .40% (3.80% at June 30, 2005). There have been no borrowings under this line of credit as of June 30, 2005.

(in thousands of dollars)	Final Maturity	Interest Rate	2005	Interest Rate	2004
LUHS					
Fixed rate:					
Illinois Health Facilities Authority (IHFA):					
Series 2001A bonds	2031	5.80-6.10%	$ 90,319	5.80-6.10%	$ 90,262
Series 1997A bonds	2024	5.00-6.00%	121,013	5.00-6.00%	124,169
Total fixed rate			$211,332		$214,431
Variable rate:					
Illinois Health Facilities Authority (IHFA):					
Series 1997B bonds	2024	2.30%	$ 14,635	1.10%	$ 15,180
Series 1997C bonds	2024	3.30%	46,100	1.20%	46,600
Notes payable to affiliate	2015	4.00-6.50%		4.00-6.50%	1,480
Line of Credit			24,000		14,000
Total variable rate			$ 84,735		$ 77,260
Total LUHS indebtedness			$296,067		$291,691

LUHS maintains an unsecured bank line of credit of $50.0 million at a LIBOR-based interest rate payable monthly. $24.0 million and $14.0 million were outstanding on the line of credit as of June 30, 2005 and 2004, respectively. Interest paid on LUHS's line of credit was $406 thousand and $261 thousand for the years ended June 30, 2005 and 2004, respectively

In 2005 University Academic recorded capitalized interest of $1.5 million, and in 2005 LUHS recorded capitalized interest of $104 thousand. Bond discounts, premiums, and costs incurred in connection with the issuance of bonds are deferred and amortized over the life of the related indebtedness.

Debt Covenants

Some debt agreements require LUC and LUHS to maintain sinking or reserve funds, and some require the maintenance of financial ratios or impose other restrictions. Both LUC and LUHS are in compliance with all debt covenants as of June 30, 2005.

Repayments and Classification

Total scheduled maturities for the next five fiscal years are:

(in thousands of dollars)	Fiscal Year	University Academic	LUHS	Total
	2006	$ 2,854	$ 29,355	$ 32,209
	2007	5,486	7,670	13,156
	2008	5,751	8,225	13,976
	2009	15,586	8,665	24,251
	2010	7,784	9,135	16,919
	thereafter	234,592	233,017	467,609
		$272,053	$296,067	$568,120

Disclosure of Fair Value of Long-term Debt

The fair value of the outstanding debt as of June 30, 2005 and 2004 was:

(in thousands of dollars)	2005		2004	
	Fair Value	Carrying Value	Fair Value	Carrying Value
University Academic	$253,837	$272,053	$215,162	$214,545
LUHS	270,498	296,067	280,494	291,691

The fair value of long-term debt is determined based on quoted market prices when available or discounted cash flows, using interest rates currently available on similar borrowings.

Interest

Interest paid for the years ended June 30, 2005 and 2004 was:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Interest paid	$12,446	$12,738	$25,184	$22,322

Interest Rate Swaps

From time to time, LUC enters into interest rate swap agreements to modify the interest rate characteristics of its outstanding debt from floating to a fixed-rate or vice versa. These agreements involve the exchange of floating and fixed-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counterparties is included in other liabilities or assets.

As of June 22, 2005, University Academic entered into a forward-starting interest rate swap agreement which expires in 2023. Under the terms of the agreement LUC expects to issue tax-exempt variable rate bonds in April of 2007 and use the proceeds to call the $27,635,000 outstanding 5.7% Series 1997A Bonds. Beginning with the issuance of the 2007 bonds, LUC will pay bondholders a variable rate based on the Bond Market Association Municipal Swap Index, LUC will receive a similar payment from the swap counterparty, and LUC will pay the counterparty a fixed rate of 3.905%. This transaction effectively reduces interest expense on approximately $27 million of debt from 5.7% to 3.905% plus costs, generating a net present value savings of $2.9 million. At its inception date of June 22, 2005, the swap instrument had a value of zero. At June 30, 2005 the change in value was not significant. This agreement is considered a derivative financial instrument and has been reported at fair value as a component of other liabilities in the consolidated statement of financial position at June 30, 2005. The net change in the fair value of the agreement since inception has been reported as a component of other income in the non-operating activities section of the consolidated statement of activities and changes in net assets for the year ended June 30, 2005.

LUHS entered into two interest rate swap agreements in March 2002 and one interest rate swap agreement in May 2003 to offset future fluctuations in interest rates related to LUHS's fixed and variable rate debt. The fixed rate swap agreement has a rate of 3.460%, extends over a five-year period, and has a notional amount of $50 million. The March 2002 floating rate agreement has a rate equal to 73.75% of the one-month LIBOR, extends over a twenty-year period, and has a notional amount of $100 million. The May 2003 floating rate agreement has a rate equal to 63.00% of the one-month LIBOR plus .705%, extends over a twenty-year period, and has a notional amount of $125.0 million. The net amounts received under the interest rate swap agreements reduced interest expense by $1.1 million in 2005 and by $1.7 million in 2004.

The fair value of the swap agreements at June 30, 2005, an unrealized loss of $5.7 million, is recorded as a component of other liabilities. The swap agreements do not qualify for hedge accounting. Accordingly, LUHS recorded the net mark-to-market fair value adjustment of the swaps of a loss of $2.1 million and a gain of $1.8 million for the years ended June 30, 2005 and 2004, respectively, as a component of non-operating activities in the consolidated statements of operations.

(9) Self Insurance

University Academic

University Academic maintains risk retention programs for professional liability, certain general liability risks, and certain employee benefits. The assets of the risk retention fund are cash and marketable securities.

Under a risk retention program designed to provide general and professional liability protection to LUC and patient liability protection to participating faculty, LUC has responsibility for pre-1995 exposure. The risk retention program is supplemented by commercial excess umbrella protection on an occurrence basis through 1986, and thereafter on a combined claims-made and occurrence basis.

The provision for risk retention is calculated using an independent actuarial basis and management judgment. The reserve for risk retention is the estimated value of claims and claims adjustment expense which will be settled in the future. Management considers the reserve adequate to cover LUC's loss exposure for all years.

LUHS

LUMC purchases claims-made insurance coverage from LUCIC for primary and patient general liability claims as well as excess liability claims. The accounts and results of operations of LUCIC are included in the accompanying consolidated financial statements. Estimated claims are discounted using a rate of 6.5% and 6.75% at June 30, 2005 and 2004, respectively. The amounts of the discounts were $34.6 million in 2005 and $32.6 million in 2004. Self-insurance liabilities are estimated at the actuarially determined expected level, plus an estimate of incurred but not reported claims.

Expenses related to general and professional liability were $43.3 million and $37.7 million for 2005 and 2004, respectively. This includes primary and patient general liability and medical malpractice liability insurance to Loyola University Physician Foundation (LUPF) and its physicians. LUPF expenses related to general liability and medical malpractice liability insurance were $14.1 million and $12.3 million for 2005 and 2004, respectively. Reinsurance recoveries receivable of $15.8 million and $17.9 million were recorded as other assets at June 30, 2005 and 2004, respectively.

(10) Retirement Plans

Substantially all personnel participate in either a defined contribution retirement plan or a defined benefit plan (LUERP). University Academic froze pension benefits in LUERP effective March 31, 2004 for all but a grandfathered group of "ameliorated" participants. This group is allowed to continue to earn additional Adjusted Benefit Credited Service accruals for a period of up to five years. Effective April 1, 2004, University Academic established a new defined contribution plan.

LUMC froze pension benefits in LUERP effective March 31, 2004 for all participants. All LUMC participants will continue to earn pension benefits after March 31, 2004 in a new defined benefit plan, Loyola University Medical Center's Employees Retirement Plan (LUMC-ERP), which is substantially similar in design to LUERP and provides coverage effective April 1, 2004. The primary differences between LUMC-ERP and LUERP include removal of the unlimited lump sum optional form of payment, increase in the retirement age from 65 to Social Security Normal Retirement Age, and an increase in the hour requirement for participation and service accrual from 500 to 1,000.

Retirement plan expenses included in the consolidated statements of activities and changes in net assets for the years ended June 30, 2005 and 2004 were:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
	$12,400	$12,088	$24,488	$26,827

Included in the consolidated statement of financial position at June 30, 2005, are a pension liability of $164 thousand for University Academic and $3.0 million of unrecognized prior service costs and a prepaid pension asset of $9.7 million for LUHS. Included in the consolidated statement of financial position at June 30, 2004, are a pension liability of $287 thousand for University Academic and $3.4 million of unrecognized prior service costs and a prepaid pension asset of $10.2 million for LUHS.

LUMC expects to contribute a minimum of $3 million to LUMC-ERP in 2006.

Summary information for the defined benefit pension plans follows:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	$ 86,577	$ 161,134	$ 247,711	$ 216,951
Service cost	1,689	8,874	10,563	10,861
Interest cost	4,629	9,586	14,215	13,591
Curtailment loss				(8,780)
Benefits paid	(7,381)	(8,566)	(15,947)	(14,954)
Actuarial gain	454	10,201	10,655	30,042
Projected benefit obligation, end of year	$ 85,968	$ 181,229	$ 267,197	$ 247,711
Change in plan assets				
Fair value of plan assets, beginning of year	$86,290	$ 140,312	$ 226,602	$ 187,469
Actual return on plan assets	6,895	11,639	18,534	54,087
Company contributions		7,375	7,375	
Benefits paid	(7,381)	(8,566)	(15,947)	(14,954)
Fair value of plan assets, end of year	$ 85,804	$ 150,760	$ 236,564	$ 226,602

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Reconciliation of funded status				
Funded status	$(164)	$(30,469)	$(30,633)	$(21,109)
Unrecognized net actuarial gain	25,206	40,162	65,368	56,216
Unrecognized prior service cost		2,980	2,980	3,358
Minimum pension liability	(25,206)		(25,206)	(25,179)
Pension (liability) asset	$(164)	$ 12,673	$ 12,509	$ 13,286
Accumulated benefit obligation, end of year	$ 85,968	$ 149,237	$ 235,205	$ 223,085
Weighted average assumptions of benefit obligations				
Discount rate	5.50%	6.00%		5.60-6.10%
Lump sum distributions	4.75%	6.00%		4.85-6.10%
Rate of compensation increase	N/A	2.50%		2.50%
Components of net pension expense				
Service cost	$ 1,689	$ 8,874	$ 10,563	$ 10,861
Interest cost	4,629	9,586	14,215	13,591
Expected return on plan assets	(7,001)	(11,872)	(18,873)	(14,368)
Amortization of unrecognized loss	533	1,309	1,842	4,950
Amortization of prior service cost		378	378	688
Net periodic pension cost	(150)	8,275	8,125	15,722
Effect of plan curtailment				2,878
Total pension expense (income)	$(150)	$ 8,275	$ 8,125	$ 18,600
Weighted average assumptions of net periodic pension expense				
Discount rate	5.50%	6.00%		5.60-6.10%
Lump sum distributions	4.75%	6.00%		4.85-6.10%
Expected long-term return on plan assets	8.50%	8.50%		8.00%
Rate of compensation increase	N/A	2.50%		2.50%

At June 30, 2003, University Academic and LUMC recorded a minimum pension liability of $35.2 million and $28.1 million, respectively. The adjustment was shown as a non-operating charge in the consolidated statement of activities and changes in net assets, decreasing unrestricted net assets of University Academic by $32.0 million and LUHS by $24.4 million. The adjustment is required by FAS 87, *Employer's Accounting for Pensions*, when the accumulated benefit obligation of the plan exceeds the fair value of the underlying assets. Intangible assets were recorded for prior service costs of $3.2 million for University Academic and $3.7 million for LUMC. The LUMC liability was reversed in 2004 as the fair value of the plan assets exceeded the accumulated benefit obligation.

Defined benefit plan asset allocation at the March 31 measurement date was as follows:

	2005		2004	
	University Academic	LUHS	University Academic	LUHS
Cash and cash equivalents	1%	3%	3%	3%
Equity securities	48%	47%	48%	47%
Fixed income securities	30%	29%	27%	27%
Private capital	17%	17%	17%	10%
Other, including real estate	4%	4%	5%	13%
Total	100%	100%	100%	100%

LUERP assets are held in trust by an external trustee. The trust portfolio is managed in accordance with the policies established by the Retirement Allowance Committee. Management developed the estimate of the expected long-term rate of return on plan assets based upon this mix and the expected rates of return for the various investment strategies employed.

Expected future benefit payments for the years ended June 30 are as follows:

(in thousands of dollars)	Fiscal Year	University Academic	LUHS	Total
	2006	$ 7,112	$ 8,804	$ 15,916
	2007	6,629	10,071	16,700
	2008	6,332	10,199	16,531
	2009	6,578	10,664	17,242
	2010	6,332	11,547	17,879
	2011-2015	31,760	68,325	100,085

(11) Other Postretirement Benefits

University Academic has a defined benefit retiree health plan covering eligible employees upon their retirement. Health benefits are provided subject to various cost-sharing features and are not prefunded.

Effective January 1, 2001, LUMC no longer contributes to the cost of retiree health coverage for certain future retirees. LUMC contributes to the cost of health coverage for current retirees, active employees who were 60 years of age with ten years of service at December 31, 2000, and active employees with 25 years or more of service at December 31, 2000, regardless of age.

LUC and LUHS adopted the guidance of FSP No. 106-1, *Accounting for Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,* in 2004 and 2005, respectively. This resulted in a reduction of prior service cost for University Academic of $9,166 in 2004 and LUHS of $385 in 2005 which are included in the amortization.

Defined benefit retiree health plan costs included in the consolidated statements of activities and changes in net assets for the years ended June 30, 2005 and 2004 were:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Change in benefit obligation				
Benefit obligation, beginning of year	$ 26,952	$ 14,518	$ 41,470	$ 50,523
Service cost	1,695	251	1,946	2,651
Interest cost	1,591	655	2,246	3,209
Participant contributions	1,199	600	1,799	1,479
Plan amendments				(8,210)
Benefits paid	(2,790)	(1,515)	(4,305)	(3,420)
Actuarial gain (loss)	352	(2,938)	(2,586)	(4,762)
Benefit obligation, end of year	$ 28,999	$ 11,571	$ 40,570	$ 41,470
Change in plan assets				
Fair value of plan assets, beginning of year	$ -	$ -	$ -	$ -
Employer contributions	1,591	914	2,505	1,940
Participant contributions	1,199	600	1,799	1,480
Benefits paid	(2,790)	(1,514)	(4,304)	(3,420)
Fair value of plan assets, end of year	$ -	$ -	$ -	$ -
Reconciliation of funded status				
Funded status	$ 28,999	$ 11,571	$ 40,570	$ 41,470
Unrecognized actuarial gain (loss)	1,131	(2,888)	(1,757)	(2,637)
Accrued postretirement benefit obligation	$ 30,130	$ 8,683	$ 38,813	$ 38,833

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Components of net period postretirement benefit cost				
Service cost	$ 1,695	$ 251	$ 1,946	$ 2,651
Interest cost	1,591	655	2,246	3,209
Unrecognized actuarial (loss) gain	(1,705)	(35)	(1,740)	707
Net period postretirement benefit cost	$ 1,581	$ 871	$ 2,452	$ 6,567
Discount rate	6.10%	6.10%		6.50%

Assumed health care cost trend rates	2005	2006	2007
HMO plans	6.00%	6.00%	6.00%
Non-HMO plans	6.00%	6.00%	6.00%

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Effect of a 1% change in the health care cost trend rates				
1% increase				
On year-end postretirement benefit obligations	$ 1,260	$ 882	$ 2,142	$ 3,161
On total of service and interest cost components	446	138	584	1,020
1% decrease				
On year-end postretirement benefit obligations	$(1,104)	$(773)	$(1,877)	$(2,769)
On total of service and interest cost components	(370)	(117)	(487)	(850)

The postretirement benefit measurement date was March 31, 2005.

Estimated future benefit payments:

(in thousands of dollars) Fiscal Year	University Academic	LUHS	Total
2006	$ 1,974	$ 902	$ 2,876
2007	2,211	1,010	3,221
2008	2,432	1,111	3,543
2009	2,627	1,200	3,827
2010	2,785	1,272	4,057
2011-2015	16,641	7,600	24,241

Effective July 1, 2004, University Academic changed its plan for retiree health benefits. New retirees after 2006 will receive an account-based retiree medical subsidy. The subsidy will be an annual allocation of $2,750 (not indexed) towards an interest-bearing account. The allocations will be given for each year of active employment after age 50, up to a maximum of 15 years. Accounts will continue to earn interest during retirement and can be used by the retiree or spouse to pay qualified retiree medical expenses, including monthly premiums for coverage under University Academic's health plan. This new design is reflected in the June 30, 2004 year-end disclosures and development of 2005 expense.

(12) Functional Classification of Expenses

Expenses are reported in the consolidated statements of activities and changes in net assets in natural classifications. Expenses by functional classification for the years ended June 30, 2005 and 2004 were:

(in thousands of dollars)	2005	2004
Instruction	$ 85,123	$ 84,784
Research and other sponsored programs	41,584	41,288
Academic support	49,846	45,966
Student services	21,208	19,858
Institutional support	50,674	53,226
Operations and maintenance	19,472	18,508
Depreciation	19,220	17,972
Patient care	695,979	651,455
Auxiliary services	22,036	11,602
Total operating expenses	$1,005,142	$944,659

(13) Restricted Net Assets

The program restrictions for temporarily and permanently restricted net assets at June 30, 2005 and 2004 were:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Temporarily Restricted				
Academic or program support and student financial aid	$100,553	$ -	$100,553	$ 86,016
Research	5,577		5,577	5,162
Student loans	2,950		2,950	2,748
Construction	5,067		5,067	5,880
Other	22,964	3,151	26,115	27,364
Total temporarily restricted net assets	$137,111	$3,151	$140,262	$127,170
Permanently Restricted				
Academic or program support and student financial aid	$ 85,207	$ -	$ 85,207	$ 81,585
Student loans	1,148		1,148	1,061
Other		6,287	6,287	6,277
Total permanently restricted net assets	$ 86,355	$6,287	$ 92,642	$ 88,923

(14) Related Party Transactions

LUPF is an incorporated medical faculty practice plan consisting of the faculty of University Academic's SSOM. The physician employees of LUPF perform their clinical services by contractual arrangement with LUC and LUMC. LUPF provides billing, collection, and distribution services of professional fees generated by SSOM physicians from their private practice of medicine at LUMC and other approved locations. LUC and LUMC received a percentage of fees collected, less certain expenses, for the funding of various SSOM activities and for the use of LUMC's practice-related facilities. Revenues to LUC and LUMC in the years ended June 30, 2005 and 2004 and amounts receivable on these dates were:

(in thousands of dollars)	2005			
	University Academic	LUHS	Total	2004
Revenues	$26,699	$16,711	$43,410	$44,258
Accounts receivable	2,266	4,988	7,254	7,036

LUMC is reimbursed for providing administrative personnel and certain overhead services to LUPF. The reimbursement was $6.6 million and $6.5 million for 2005 and 2004, respectively. Additionally, LUMC is reimbursed for services provided relating to LUCIC exposures. Amounts billed for 2005 and 2004, respectively, were $488 thousand and $442 thousand. As of June 30, 2005 and 2004, LUPF's liability to LUMC for all services was $5.0 million and $3.7 million, respectively.

LUPF is neither consolidated nor accounted for under the equity method of accounting by LUC or LUHS in the consolidated financial statements.

RML Specialty Hospital

LUMC owns a 49.5% interest in RML Specialty Hospital (RML), a long-term acute care hospital located in Hinsdale, Illinois. LUMC's investment in RML of $8.5 million and $7.3 million as of June 30, 2005 and 2004, respectively, is recorded using the equity method. LUMC provides renal dialysis and reference laboratory services to RML. The revenue from these services was $1.2 million and $529 thousand for 2005 and 2004, respectively. In addition, LUHS has guaranteed 50% of certain outstanding debt of RML. As of June 30, 2005, LUHS's guarantee was $2.4 million.

The following summarizes condensed financial information of RML as of and for the years ended May 31, 2005 and 2004:

(in thousands of dollars)	2005	2004
Net assets	$16,310	$14,865
Revenues	41,674	34,182
Expenses	36,157	30,932

Loyola Ambulatory Surgical Center

LUHS owns an interest in Loyola Ambulatory Surgical Center (LASCO), a joint venture with HealthSouth. LUHS investment in LASCO was $1.6 million and $1.4 million as of June 30, 2005 and 2004, respectively, and is recorded using the equity method. The following summarizes condensed financial information of LASCO as of and for the years ended December 31, 2004 and 2003:

(in thousands of dollars)	2005	2004
Net assets	$ 3,217	$ 2,817
Revenues	5,052	4,852
Expenses	4,652	4,499

(15) Leases

LUHS has certain non-cancelable operating leases for specific property, plant, and equipment. Under the terms of these lease agreements, LUHS has a maximum obligation of $3.9 million in the event the lease for the cogeneration plant is not renewed in January 2010 and the plant is not sold. The obligation may be reduced by excess proceeds from the sale of the plant.

Rent paid under operating leases was $7.4 million in 2005 and $6.8 million in 2004.

The future minimum lease commitments under these operating leases are as follows:

(in thousands of dollars)
Fiscal year ending June 30

2006	$ 8,899
2007	8,702
2008	8,082
2009	5,682
2010	5,247
thereafter	13,147
Total	$49,759

(16) Commitments and Contingencies

Various lawsuits, claims, and other contingent liabilities occasionally arise in the ordinary course of LUC's education, research, and patient care activities. In the opinion of management, all such matters have been adequately provided for, are without merit, or are of such kind that if disposed of unfavorably, would not have a material effect on LUC's financial position or results of operations.

(17) Financial Instruments with Off-Balance Sheet Risk

LUC has agreed to guarantee loans issued to its employees by the Loyola University Employees' Federal Credit Union to an aggregate maximum of $750 thousand.

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