

Chicago's Jesuit University



LOYOLA
UNIVERSITY
CHICAGO

CONSOLIDATED FINANCIAL
STATEMENTS AND
ADDITIONAL INFORMATION

AND
INDEPENDENT AUDITORS'
REPORT

Years Ended June 30, 2003 and 2002

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2003 and 2002, and the related consolidated statements of activities and other changes in unrestricted net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2003 and 2002, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2003, on our consideration of LUC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional consolidating information for 2003 and additional information listed in the table of contents is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position, statement of activities, statement of changes in net assets, and cash flows of the individual entities, and is not a required part of the basic consolidated financial statements. This additional information is the responsibility of LUC's management. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

September 26, 2003

Deloitte
Touche
Tohmatsu

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2003 AND 2002

(\$000s)

	University Academic	LUHS	Eliminating Entries	2003 Consolidated Total	2002 Consolidated Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 103,535	\$ 37,305	\$ -	\$ 140,840	\$ 105,848
INTERFUND BALANCES	13,745		(13,745)		
RECEIVABLES	59,584	135,759		195,343	212,873
OTHER ASSETS	7,072	65,233		72,305	114,629
INVESTMENTS	207,892	167,014		374,906	414,540
INTEREST HELD IN PERPETUAL TRUST	7,176			7,176	7,114
NOTES RECEIVABLE FROM SUBSIDIARY	1,566		(1,566)		
LAND, BUILDINGS AND EQUIPMENT - NET	286,934	305,170		592,104	570,628
TOTAL ASSETS	<u>\$ 687,504</u>	<u>\$ 710,481</u>	<u>\$ (15,311)</u>	<u>\$ 1,382,674</u>	<u>\$ 1,425,632</u>
LIABILITIES AND NET ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 70,913	\$ 64,720	\$ -	\$ 135,633	\$ 150,624
DEFERRED INCOME	10,933			10,933	9,779
UNEXPENDED GRANTS	22,982			22,982	17,751
REFUNDABLE ADVANCES - LOANS	16,631			16,631	16,697
INDEBTEDNESS	194,908	298,247	(1,566)	491,589	502,864
SELF-INSURANCE	14,163	84,626		98,789	81,750
INTERFUND BALANCES		13,745	(13,745)		
OTHER LIABILITIES	1,544	32,212		33,756	24,150
TOTAL LIABILITIES	<u>332,074</u>	<u>493,550</u>	<u>(15,311)</u>	<u>810,313</u>	<u>803,615</u>
NET ASSETS:					
Unrestricted	172,413	207,383		379,796	428,342
Temporarily restricted	102,477	3,393		105,870	107,917
Permanently restricted	80,540	6,155		86,695	85,758
TOTAL NET ASSETS	<u>355,430</u>	<u>216,931</u>	<u>-</u>	<u>572,361</u>	<u>622,017</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 687,504</u>	<u>\$ 710,481</u>	<u>\$ (15,311)</u>	<u>\$ 1,382,674</u>	<u>\$ 1,425,632</u>

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO
 CONSOLIDATED STATEMENTS OF ACTIVITIES AND OTHER CHANGES
 IN UNRESTRICTED NET ASSETS

YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002

(\$000s)

	University Academic	LUHS	Eliminating Entries	2003 Consolidated Total	2002 Consolidated Total
RESULTS OF OPERATIONS:					
OPERATING REVENUES:					
Tuition and fees, net of scholarships \$53,371 (2003) and \$47,229 (2002)	\$ 152,514	\$ -	\$ -	\$ 152,514	\$ 139,890
Grants and contracts for sponsored projects	54,695	3,190		57,885	55,761
Academic support	46,522		(18,194)	28,328	25,207
Gifts	1,555	1,752		3,307	4,484
Interest income	1,033	301		1,334	
Investment income designated for operations	1,320	5,372		6,692	7,557
Other	11,598		(1,840)	9,758	14,281
Auxiliary services	21,474			21,474	19,508
Patient care		586,779		586,779	547,173
Research and education net assets for operations	1,063			1,063	7,038
Net assets released from restrictions	8,541	2,895		11,436	13,316
Total operating revenues	300,315	600,289	(20,034)	880,570	834,215
OPERATING EXPENSES:					
Instruction	81,422			81,422	86,282
Research and other sponsored programs	41,913	2,639		44,552	42,244
Academic support	62,101	17,214	(17,214)	62,101	59,548
Student services	18,663			18,663	19,133
Institutional support	50,072	81,864		131,936	130,706
Operations and maintenance	20,673	20,804	(1,840)	39,637	39,179
Depreciation and disposals	19,275	25,234		44,509	44,810
Patient care		440,970		440,970	413,394
Auxiliary services	15,180			15,180	14,348
Total operating expenses	309,299	588,725	(19,054)	878,970	849,644
Results of operations	(8,984)	11,564	(980)	1,600	(15,429)
NON OPERATING ACTIVITIES:					
Investment (loss)/income net of amounts designated for operations	(2,946)	4,519		1,573	(17,130)
Other	2,340	(4,480)	980	(1,160)	(9,122)
Gain on sale of properties	6,142			6,142	
Transfer of net assets	56	725		781	
Research and education net assets for operations	(1,063)			(1,063)	(7,038)
Total non-operating activities	4,529	764	980	6,273	(33,290)
Increase (decrease) in unrestricted net assets before change in minimum pension liability	\$ (4,455)	\$ 12,328	\$ -	\$ 7,873	\$ (48,719)

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002
(\$000s)

	University Academic	LUHS	Eliminating Entries	2003 Consolidated Total	2002 Consolidated Total
Increase (decrease) in unrestricted net assets before change in minimum pension liability	\$ (4,455)	\$ 12,328	\$ -	\$ 7,873	\$ (48,719)
Change in pension liability	(32,010)	(24,409)		(56,419)	
Decrease in unrestricted net assets after change in minimum pension liability	<u>(36,465)</u>	<u>(12,081)</u>	<u>-</u>	<u>(48,546)</u>	<u>(48,719)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Gifts	8,097	2,897		10,994	11,293
Investment income(loss)	343			343	(10,853)
Change in annuity value	(2,056)			(2,056)	(820)
Other	42			42	
Transfer of net assets	66			66	(1,055)
Net assets released from restrictions	<u>(8,541)</u>	<u>(2,895)</u>		<u>(11,436)</u>	<u>(13,316)</u>
Increase (decrease) in temporarily restricted net assets	<u>(2,049)</u>	<u>2</u>	<u>-</u>	<u>(2,047)</u>	<u>(14,751)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Gifts	1,651	71		1,722	3,922
Investment loss					(11)
Change in value of perpetual trust	62			62	(956)
Transfer of net assets	<u>(122)</u>	<u>(725)</u>		<u>(847)</u>	<u>1,055</u>
Increase (decrease) in permanently restricted net assets	<u>1,591</u>	<u>(654)</u>	<u>-</u>	<u>937</u>	<u>4,010</u>
Decrease in net assets	(36,923)	(12,733)		(49,656)	(59,460)
Net assets at beginning of year	392,353	229,664		622,017	681,477
Net assets at end of year	<u>\$ 355,430</u>	<u>\$ 216,931</u>	<u>\$ -</u>	<u>\$ 572,361</u>	<u>\$ 622,017</u>

See notes to consolidated financial statements

LOYOLA UNIVERSITY CHICAGO
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002
(\$000s)

	University Academic	LUHS	Eliminating Entries	2003 Consolidated Total	2002 Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (36,923)	\$ (12,733)	\$ -	\$ (49,656)	\$ (59,460)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:					
Add/Deduct Non Cash Transactions:					
Depreciation and disposals	22,087	25,234		47,321	48,103
Minimum pension liability	32,010	24,409		56,419	
Change in unrealized loss on investments	6,801	5,215		12,016	25,142
Total Non Cash Transactions	<u>60,898</u>	<u>54,858</u>		<u>115,756</u>	<u>73,245</u>
Changes in Assets and Liabilities:					
Accounts receivable	10,434	7,284		17,718	(13,945)
Notes receivable from subsidiary	83		(83)		
Other assets	(6,832)	(7,263)		(14,095)	330
Accounts payable and accrued expenses	12,838	(27,829)		(14,991)	28,802
Deferred income / unexpended grants	6,385	-		6,385	(3,129)
Self-insurance	163	16,876		17,039	10,091
Interest in perpetual trust	(62)			(62)	916
Refundable advances	(66)			(66)	(62)
Other liabilities	(582)	10,188		9,606	2,816
Interfund balances	(1,232)	1,232			
Total Change in Assets and Liabilities	<u>21,129</u>	<u>488</u>	<u>(83)</u>	<u>21,534</u>	<u>25,819</u>
Net cash from operating activities	<u>45,104</u>	<u>42,613</u>	<u>(83)</u>	<u>87,634</u>	<u>39,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	120,534			120,534	219,372
Purchase of investments	(103,231)	10,315		(92,916)	(244,359)
Purchase of plant assets	(8,771)	(60,026)		(68,797)	(58,259)
Student loans issued	(4,859)			(4,859)	(4,337)
Student loans collected	4,671			4,671	4,003
Net cash from investing activities	<u>8,344</u>	<u>(49,711)</u>	<u>-</u>	<u>(41,367)</u>	<u>(83,580)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds of bond issue	18,610	17,000		35,610	110,712
Retirement of debt	(23,557)	(23,411)	83	(46,885)	(33,102)
Net cash from financing activities	<u>(4,947)</u>	<u>(6,411)</u>	<u>83</u>	<u>(11,275)</u>	<u>77,610</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	48,501	(13,509)		34,992	33,634
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,034	50,814		105,848	72,214
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 103,535</u>	<u>\$ 37,305</u>	<u>\$ -</u>	<u>\$ 140,840</u>	<u>\$ 105,848</u>

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

(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). The University Academic operates on four campuses to provide educational services to more than thirteen thousand students enrolled 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 that provides services to patients in the hospital and outpatient sites.

(2) **Tax Status**

LUC, Mundelein College, and LUHS are exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code, except with regard to unrelated business income, which is taxed at corporate income tax rates. LMC is a 501(c)(2) also exempt under the same revenue code. Loyola University of Chicago Insurance Company Ltd. (LUCIC), a wholly-owned subsidiary of LUHS, is a for-profit Cayman Island 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 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 that affect 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 those estimates. All 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 that the assets be retained permanently and invested by LUC. 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 restrictions that expire with the passage of time, the occurrence of an event, or the fulfillment of certain conditions. When donor restrictions are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the 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 of LUC are presented in the financial statements as operating activities. Nonoperating results include investment income or loss, changes in risk retention liability, gains or losses on the sale or disposal of plant assets, non-recurring items and net change to the Research & 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 that limit 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" in operating revenue.

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

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 services 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.

Investments

Investments are recorded at market value. The value of investments in publicly-traded fixed income and equity securities is based on quoted market prices. The value of investments that do not have a readily determined market value are estimated quarterly by external investment professionals and are reviewed by management. Investment income is recorded on the accrual basis. LUC records its securities transactions on a trade-date basis.

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 the University Academic's Stritch School of Medicine. 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 used for LUC activities 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 2002 balances to conform to the presentation used in 2003.

(4) Loyola University Health System

Organization

LUHS is a regional integrated health care delivery system that provides a full continuum of health care services in various settings, including an advanced tertiary care hospital, outpatient service facilities, immediate care facilities,

and primary care practice sites. LUHS also provides home care and hospice services.

LUC is the sole corporate member of LUHS, and LUHS is the sole corporate member of Loyola University Medical Center (LUMC) and Loyola University of Chicago Insurance Company Ltd. (LUCIC). LUHS and LUMC are Illinois not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. LUCIC is a for-profit Cayman Island insurance company that provides primary professional liability and patient general liability insurance.

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 University Academic' s Stritch School of Medicine (SSOM) faculty who provide health management services to LUMC; general support to University Academic; and capital support to SSOM. These amounts totaled \$27.7 million for 2003 and \$26.1 million for 2002.

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 2003 and 2002.

Facilities Leases - In 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. The amount forgiven under these leases approximates \$4.96 million in 2003 and \$4.50 million in 2002.

Loyola University Center for Health and Fitness - In 1997 LUC opened its Center for Health and Fitness (LUCHF) on the Medical Center campus for the use of students and employees of SSOM and the employees of LUHS and its affiliates. LUC and LUHS entered into an agreement under which LUHS was to provide financial support equal to any cash flow deficits of LUCHF. Payment from LUHS was not required in 2003 or 2002 under the agreement. On June 13, 2003 ownership of the building transferred to LUHS in exchange for \$11,068,323, the amount of the original debt. In addition, LUC transferred \$1.2 million to LUHS for the total cash operating surplus. LUHS has a forty-year lease to LUC for the land.

1997 Debt Refinancing Agreement - As part of the 1995 transfer of healthcare 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 pays a variable rate of interest, the amounts payable between LUC and LUMC vary each year. In 2003 LUC paid LUMC \$148,000 as a final payment of the interest rate guarantee. As of June 30, 2003 LUMC and LUC agreed to discontinue the interest expense guarantee.

LUHS Net Patient Service Revenues

LUHS has agreements with third-party payers that provide for payments to LUHS at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts for services rendered and include 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.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Management believes that LUHS is in substantial compliance with current laws and regulations.

(5) Investments

The fair value of investments at June 30, 2003 and 2002 was:

(in thousands of dollars)

	2003			2002
	University Academic	LUHS	Total	
Cash pending investment	\$ 16,868	\$ -	\$ 16,868	\$ 4,573
Equity	82,441	33,885	116,326	126,778
Private capital	28,981		28,981	31,919
Fixed income	60,143	126,417	186,560	224,956
Real estate	<u>19,459</u>	<u>6,712</u>	<u>26,171</u>	<u>26,314</u>
Total investments	<u>\$207,892</u>	<u>\$167,014</u>	<u>\$374,906</u>	<u>\$414,540</u>

Fair values of financial instruments approximate their carrying values in the financial statements except for indebtedness for which fair value information is provided in Note 8.

Derivative Financial Instruments

From time to time, LUC enters into transactions that involve the use of derivatives such as futures and options contracts. In fiscal 2003, the long-term investment portfolio used futures for the express purpose of maintaining an asset allocation strategy as close as possible to policy targets. Futures provide a cost efficient mechanism to invest cash or rebalance the asset mix (i.e., allocations to stocks, bonds, and cash) to the policy targets established by the Investment Policy Committee of the Board of Trustees. All futures positions are fully collateralized by cash or Treasury bills in order to eliminate the potential leverage inherent in these instruments.

During fiscal 2003, options were used on a limited basis by one external investment advisor to reduce the risk of holding certain individual securities. During fiscal 2002, LUC terminated the use of derivatives for purposes of making tactical changes to the asset mix, including the use of forward contracts, and the use of options as a dedicated investment strategy.

(in thousands of dollars)

	2003				2002			
	Notional or Contract	Estimated Fair Value	Average Fair Value	Net Trading Gains (Losses)	Notional or Contract	Estimated Fair Value	Average Fair Value	Net Trading Gains (Losses)
Futures Contracts				\$264				(\$4,224)
Assets	\$23,409	(\$464)	(\$587)		\$25,830	(\$1,032)	(\$357)	
Liabilities	(7,285)	24	66		(7,855)	10	210	
Forward Contracts								201
Assets							11,428	
Liabilities							(8,060)	

	2003				2002			
	Notional or Contract Held	Contract Written	Average Fair Value	Net Trading Gains (Losses)	Notional or Contract Held	Contract Written	Average Fair Value	Net Trading Gains (Losses)
Options	\$ -	\$(422)	(\$116)	\$674	\$ -	(\$900)	(\$942)	(\$769)

Futures and Forward Contracts. These instruments consist of stock index and bond futures in the United States and several foreign markets, as well as foreign currency forward contracts. A futures contract is a standardized agreement between two parties to buy and sell an asset at a set price on a future date. A forward contract is an obligation to purchase or sell a financial instrument against another financial instrument at a future date and price as agreed upon by the parties. Forward contracts are traded over-the-counter and not on organized commodities or securities exchanges. Futures are used to manage the asset mix of the University Academic's investment portfolio. They provide a cost efficient control mechanism whereby the asset mix of the funds (i.e., fund allocations to stocks, bonds, and cash) is maintained pursuant to a long-term strategic investment policy, or adjusted on a tactical basis to either reduce equity exposure during periods of significant market risk, or increase equity exposure during periods of significant market opportunity within limits determined by the Investment Committee of the Board of Trustees. For example, while LUC would normally maintain an asset allocation of approximately 75% equities across its various funds, futures are used to reallocate market exposures such that equities represent a range of 60%-90% of the portfolio. All futures positions are fully collateralized by cash or other assets in order to eliminate the potential leverage inherent in these contracts. Realized gains and losses are included in investment income.

Options. An option is a contract which grants the right, but not the obligation, to execute a specific purchase or sales transaction at a stated exercise price. LUC's option strategy is designed to add incremental return to its invested funds. The strategy uses index options and/or options on futures contracts to construct a market neutral position across a variety of financial markets. The strategy is implemented by selling short-term put and call options to capture incremental income for the portfolio, while protecting against major market moves by buying similar size positions in longer-term options. Realized gains and losses are included in investment income.

Investment Income/(Loss)

Investment return for the years ended June 30, 2003 and 2002 was:

(in thousands of dollars)

	2003			2002
	University Academic	LUHS	Total	
Interest and dividends	\$5,215	\$3,390	\$8,605	\$11,735
Net realized gains (losses)	1,170	1,286	2,456	(5,429)
Net unrealized gains (losses)	(6,801)	5,215	(1,586)	(25,142)
Management fees	(867)		(867)	(1,601)
Total return on investment	<u>\$(1,283)</u>	<u>\$ 9,891</u>	<u>\$8,608</u>	<u>\$(20,437)</u>

Interest income on cash and cash equivalents of \$1.033 million for University Academic and \$301 thousand for LUHS is not included in the investment return.

(6) Notes and Accounts Receivable

Notes and accounts receivable at June 30, 2003 and 2002 consisted of:

(in thousands of dollars)	2003			2002
	University Academic	LUHS	Total	
Student loan notes (less allowance for doubtful accounts of \$2,630 (2003) and \$2,652 (2002))	\$21,515	\$ -	\$21,515	\$21,446
Contributions (less discount and allowance for doubtful accounts of \$1,527 (2003) and \$681 (2002))	16,766	412	17,178	22,422
Healthcare (less allowance for doubtful accounts of \$18,096 (2003) and \$15,531 (2002))		135,347	135,347	142,641
Student receivables (less allowance for doubtful accounts of \$6,688 (2003) and \$3,461 (2002))	8,189		8,189	11,750
Other (less allowance for doubtful accounts of \$2,059 (2003) and \$1,435 (2002))	<u>13,114</u>	<u>-</u>	<u>13,114</u>	<u>14,614</u>
Total notes and accounts receivable	<u>\$59,584</u>	<u>\$135,759</u>	<u>\$195,343</u>	<u>\$212,873</u>

Contributions receivable at June 30, 2003 and 2002 are due in the following periods:

(in thousands of dollars)	2003			2002
	University Academic	LUHS	Total	
In one year or less	\$ 4,243	\$366	\$ 4,609	\$ 2,223
Between one year and five years	16,411	46	16,457	11,634
More than five years	2,547		2,547	16,806
Discount \$4,913 (2003) and \$7,560 (2002) and allowance \$1,527 (2003) and \$681 (2002)	<u>(6,435)</u>	<u>-</u>	<u>(6,435)</u>	<u>(8,241)</u>
Total contributions receivable	<u>\$16,766</u>	<u>\$412</u>	<u>\$17,178</u>	<u>\$22,422</u>

(7) Land, Buildings and Equipment

Components of land, buildings, equipment, and books at June 30, 2003 and 2002 were:

(in thousands of dollars)	2003			2002
	University Academic	LUHS	Total	
Land	\$ 38,434	\$ 6,566	\$ 45,000	\$ 53,012
Buildings	392,508	318,152	710,660	653,050
Equipment	36,006	122,412	158,418	135,810
Library books and art	20,094		20,094	20,094
Construction in progress	19,810	17,925	37,735	57,675
Other real estate	<u>45,656</u>	<u>-</u>	<u>45,656</u>	<u>41,262</u>
Total	552,508	465,055	1,017,563	960,903
Accumulated depreciation	<u>(265,574)</u>	<u>(159,885)</u>	<u>(425,459)</u>	<u>(390,275)</u>
Total land, buildings, and equipment	<u>\$286,934</u>	<u>\$305,170</u>	<u>\$592,104</u>	<u>\$570,628</u>

(8) Indebtedness

Notes and bonds payable as of June 30, 2003 and 2002 are shown below:

(in thousands of dollars)	Final <u>Maturity</u>	Interest <u>Rate</u>	<u>2003</u>	Interest <u>Rate</u>	<u>2002</u>
University Academic					
Fixed rate:					
City of Chicago Loan	2012	0.00%	\$ 1,188		
Illinois Educational Facilities Authority (IEFA):					
Series 1997A convertible bonds	2025	5.70%	37,540	5.70%	\$37,540
Series 1997C taxable bonds	2012	6.88-7.12%	42,430	6.88-7.12%	42,430
Medium-term note	2004	7.35%	8,125	7.35%	8,125
Medium-term note	2017	7.52%	21,100	7.52%	21,100
Mortgage notes:					
6566-82 N. Sheridan Rd.	2009	9.00%	759	9.00%	834
6542-48 N. Sheridan Rd.	2015	9.50%	802	9.50%	836
Term note:					
845-847 N. State Street	2009	2.50%	1,250		
Capital Lease:					
Banc One Leasing Corp.	2007	8.31%	400	8.31%	516
Total fixed rate			<u>\$113,594</u>		<u>\$111,381</u>
Variable rate (average as of June 30):					
Medium-term notes	2002			2.22%	\$16,110
Medium-term notes	2003	* 7.65%	\$53,030	* 7.65%	53,030
Bank One Line of Credit	2003	1.78%	16,110		
IEFA commercial paper pool	2007	0.99%	12,174	1.46%	19,334
Total variable rate			<u>\$81,314</u>		<u>\$88,474</u>
Total University Academic indebtedness			<u>\$194,908</u>		<u>\$199,855</u>

* Under the terms of a swap agreement entered into as of the issuance date of these MTNs, the interest rate effectively became LIBOR plus 0.55%. At June 30, 2003, the effective rate was 1.84%; at June 30, 2002, the effective rate was 2.59%.

(in thousands of dollars)	Final <u>Maturity</u>	Interest <u>Rate</u>	<u>2003</u>	Interest <u>Rate</u>	<u>2002</u>
LUHS					
Fixed rate:					
Illinois Health Facilities Authority (IHFA):					
Series 2001A bonds	2031	5.8-6.1%	\$90,206	5.8-6.1%	\$90,148
Series 1997A bonds	2024	5.0-6.0%	127,230	4.7-6.0%	130,151
Total fixed rate			<u>\$217,436</u>		<u>\$220,299</u>
Variable rate (average as of June 30):					
Illinois Health Facilities Authority (IHFA):					
Series 1997B bonds	2024	0.90%	\$15,645	1.20%	\$16,110
Series 1997C bonds	2024	1.10%	46,600	1.90%	46,600
Line of Credit			17,000		20,000
Total variable rate			<u>\$ 79,245</u>		<u>\$ 82,710</u>
Total LUHS indebtedness			<u>\$296,681</u>		<u>\$303,009</u>
Total indebtedness			<u>\$491,589</u>		<u>\$502,864</u>

Debt Covenants

Some debt agreements require LUC to maintain sinking or reserve funds, and some require the maintenance of financial ratios and impose other restrictions. LUC is in compliance with all debt covenants as of June 30, 2003.

Repayments and Classification

Total scheduled maturities for the next five fiscal years are:

(in thousands of dollars)

<u>Fiscal</u> <u>Year</u>	<u>University</u> <u>Academic</u>	<u>LUHS</u>	<u>Total</u>
2004	\$77,612 *	\$3,585	\$81,197
2005	618	4,346	4,964
2006	2,854	5,448	8,302
2007	17,660	7,770	25,430
2008	<u>5,751</u>	<u>8,331</u>	<u>14,082</u>
	<u>\$104,495</u>	<u>\$29,480</u>	<u>\$133,975</u>

* See Note (17)

Disclosure of Fair Value of Long-term Debt

The fair value of the outstanding debt as of June 30, 2003 and 2002 was:

(in thousands of dollars)

	<u>2003</u>		<u>2002</u>	
	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Value</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Value</u>
University Academic	\$203,111	\$194,908	\$191,054	\$199,855
LUHS	288,038	281,247	291,209	284,658

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, 2003 and 2002 was:

(in thousands of dollars)

	<u>2003</u>			<u>2002</u>
	<u>University</u> <u>Academic</u>	<u>LUHS</u>	<u>Total</u>	
Interest paid	\$8,518	\$12,901	\$21,419	\$21,164

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 basis 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 July 18, 2000, LUC entered into a swap agreement that effectively changed the interest rate of LUC' s \$53.03 million MTNs from the fixed rate of 7.65% to a floating rate of LIBOR plus .55%. As a result, interest expense on these MTNs was reduced by \$2.91 million in 2003 and by \$2.37 million in 2002.

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' fixed and variable rate debt. The fixed rate swap agreement has a rate of 3.46%, 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 million. The net amounts received under the interest rate swap agreements reduced interest expense by \$1.02 million in 2003. At June 30, 2003, the net mark-to-market fair value adjustment of the swaps was (\$3.5 million), which is recorded as a liability and as a component of changes in unrestricted net assets.

(9) **Self Insurance**

University Academic

The 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.

In 1986 LUC and its full-time Medical School faculty established a joint University/Physician risk retention program to provide general and professional liability protection to the LUC and patient liability protection to participating faculty. Until June 30, 1995, LUC and physicians paid proportionately into the joint risk retention fund based on actuarial loss estimates of hospital and physician components. 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 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

Beginning July 1, 1995, LUMC began purchasing insurance coverage from LUCIC, a Cayman Island company, for primary and patient general liability claims. Estimated claims are discounted using a rate of 7.0% and 7.25% at June 30, 2003 and 2002, respectively. Self-insurance liabilities are estimated at the actuarially determined expected funding level. Effective July 1, 2001, LUCIC changed its coverage from occurrence based to a claims-made policy.

(10) **Retirement Plans**

Substantially all personnel participate in either the defined contribution pension plan for faculty and academic staff or the defined benefit and contribution plans for nonacademic personnel.

Defined pension plan costs included in the consolidated statements of activities for the years ended June 30, 2003 and 2002 were:

(in thousands of dollars)

	2003		
	<u>LUHS</u>	<u>Total</u>	<u>2002</u>
University Academic	\$8,063	\$3,497	\$11,560
			\$11,050

During Fiscal Year 2003, University Academic and LUHS made contributions of \$5.2 million and \$8 million, respectively, to the defined benefit plan. At March 31, 2003, the measurement date for the plan, the plan assets were less than the plan liabilities. In accordance with Financial Accounting Standard No. 87, Employers' Accounting for Pensions, prepaid pension assets were reduced resulting in a reduction of unrestricted net assets of \$56.4 million for the year ended June 30, 2003.

Summary information for the defined benefit pension plan follows:

	2003			2002
	University Academic	LUHS	Total	
Change in benefit obligation				
Benefit obligation, beginning of year	\$73,401	\$106,884	\$180,285	\$177,161
Change in actuarial estimate				(4,239)
Service cost	2,340	5,797	8,137	7,903
Interest cost	5,177	7,755	12,932	13,150
Plan amendments	665	1,775	2,440	107
Benefits paid	(7,730)	(6,152)	(13,882)	(14,234)
Actuarial loss	6,356	20,683	27,039	437
Benefit obligation, end of year	<u>\$80,209</u>	<u>\$136,742</u>	<u>\$216,951</u>	<u>\$180,285</u>
Change in plan assets				
Fair value of plan assets, beginning of year	\$93,461	\$133,899	\$227,360	\$238,442
Actual return on plan assets	(18,040)	(21,169)	(39,209)	5,235
Company contributions	5,200	8,000	13,200	
Plan amendments				107
Expenses paid				(2,190)
Benefits paid	(7,730)	(6,152)	(13,882)	(14,234)
Fair value of plan assets, end of year	<u>\$72,891</u>	<u>\$114,578</u>	<u>\$187,469</u>	<u>\$227,360</u>
Reconciliation of funded status				
Funded status	\$(7,318)	\$(22,164)	\$(29,482)	\$47,074
Unrecognized net actuarial (gain) loss	36,962	42,661	79,623	(5,168)
Unrecognized prior service cost	3,188	3,736	6,924	4,964
Minimum pension liability adjustment	(32,010)	(24,409)	(56,419)	-
Prepaid pension cost	<u>\$ 822</u>	<u>\$(176)</u>	<u>\$ 646</u>	<u>\$46,870</u>
Weighted average assumptions				
Discount rate	6.5%	6.5%		7.5%
Expected return on plan assets	8.5%	8.5%		8.5%
Rate of compensation increase	2.5%	2.5%		2.5%
Components of net pension expense				
Service cost	\$2,340	\$5,797	\$8,137	\$7,903
Interest cost	5,177	7,755	12,932	13,150
Expected return on plan assets	(7,572)	(11,085)	(18,657)	(19,992)
Amortization of unrecognized loss	115	-	115	
Amortization of prior service cost	253	226	479	480
Net periodic pension cost	<u>313</u>	<u>2,693</u>	<u>3,006</u>	<u>1,541</u>
Total pension expense	<u>\$313</u>	<u>\$2,693</u>	<u>\$3,006</u>	<u>\$1,541</u>

(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, 2000, 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 are 60 years of age with ten years of service by December 31, 2000, and active employees with 25 years or more of service

(12) Natural Classification of Expenses

Expenses are reported in the consolidated statements of activities in functional classifications recommended by the National Association of College and University Business Officers. Employee benefits are recorded in each functional classification based on salaries and wages. Expenses by natural classification for the years ended June 30, 2003 and 2002 were:

(in thousands of dollars)	2003		2002	
	University Academic	LUHS	University Academic	LUHS
Compensation:				
Salaries	\$138,218	\$237,623	\$141,851	\$227,779
Benefits	<u>38,040</u>	<u>46,503</u>	<u>35,415</u>	<u>42,231</u>
Total compensation	<u>\$176,258</u>	<u>\$284,126</u>	<u>\$177,266</u>	<u>\$270,010</u>
Other expenses:				
Utilities, repairs, and plant maintenance	\$12,166	\$33,529	\$11,626	\$32,989
Supplies and general expenses	89,946	206,201	90,153	191,253
Insurance	1,877	29,021	2,117	22,454
Interest	9,965	10,614	11,519	9,690
Depreciation	<u>22,087</u>	<u>25,234</u>	<u>23,873</u>	<u>24,230</u>
Total other expenses	<u>\$133,041</u>	<u>\$304,599</u>	<u>\$139,288</u>	<u>\$280,616</u>
Total expenses	<u>\$309,299</u>	<u>\$588,725</u>	<u>\$316,554</u>	<u>\$550,626</u>

(13) Restricted Net Assets

The program restrictions for temporarily and permanently restricted net assets at June 30, 2003 and 2002 were:

(in thousands of dollars)	2003			2002
	University Academic	LUHS	Total	
Temporarily Restricted				
Academic or program support and student financial aid	\$61,666	\$ -	\$61,666	\$ 64,809
Research	4,418		4,418	2,448
Student loans	2,759		2,759	6,024
Construction	8,546		8,546	7,653
Other	<u>25,088</u>	<u>3,393</u>	<u>28,481</u>	<u>26,983</u>
Total temporarily restricted net assets	<u>\$102,477</u>	<u>\$3,393</u>	<u>\$105,870</u>	<u>\$107,917</u>

(in thousands of dollars)	2003			2002
	University Academic	LUHS	Total	
Permanently Restricted				
Academic or program support and student financial aid	\$80,436	\$ -	\$80,436	\$ 78,845
Student loans	104		104	104
Other		<u>6,155</u>	<u>6,155</u>	<u>6,809</u>
Total permanently restricted net assets	<u>\$80,540</u>	<u>\$6,155</u>	<u>\$86,695</u>	<u>\$ 85,758</u>

\$1.1 million was reclassified and transferred in FY 2002 from temporarily restricted to permanently restricted net assets as a result of managerial analysis.

(14) Related Party Transactions

The Loyola University Physician Foundation (LUPF) is an incorporated medical faculty practice plan, consisting of the faculty of the 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, 2003 and 2002 and amounts receivable on these dates were:

(in thousands of dollars)	2003			2002
	University Academic	LUHS	Total	
Revenues	\$26,546	\$16,299	\$42,845	\$37,852
Accounts receivable	2,385	6,533	8,918	5,754

(15) 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.

(16) Financial Instruments with Off-Balance Sheet Risk

In April 1994, LUC sold student loans of \$7.2 million with 100% recourse. The balance of receivables outstanding under this agreement at June 30, 2003, is \$378 thousand.

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

(17) Subsequent Events

On July 16, 2003, LUC issued through the Illinois Educational Facilities Authority its \$28,155,000 Revenue Bonds Series 2003A and \$37,520,000 Taxable Revenue Bonds Series 2003B; on that date, LUC also issued its \$41,480,000 Direct Note Obligations Series 2003C. The 2003A Bonds, which have an interest rate of 5.0% and mature in 2026, will fund the construction of a new student dormitory and related expenses. The 2003B Bonds, which have an interest rate of 5.6% and mature in 2021, repaid a bank loan in the amount \$16,109,789 and paid a portion of the \$53,030,000 Medium-Term Notes which matured on July 18, 2003. The 2003C Bonds, which have interest rates ranging from 1.65% to 5.3% and mature between 2004 and 2018, paid the remaining portion of the \$53,030,000 Medium-Term Notes maturing July 18 and also refunded the \$8,125,000 Medium-Term Notes due August 24, 2004. (An irrevocable escrow deposit with the trustee will be sufficient to pay the debt service requirements with respect to the 2004 Notes until their maturity dates.)

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2003 AND JUNE 30, 2002
(\$000s)

	Higher Education	Mundelein	LMC	Eliminating Entries	2003 Consolidated Total	2002 Consolidated Total
ASSETS						
CASH AND CASH EQUIVALENTS	\$ 103,535	\$ -	\$ -	\$ -	\$ 103,535	\$ 55,034
RECEIVABLES	73,111		218		73,329	82,343
OTHER ASSETS	6,901		171		7,072	32,250
INVESTMENTS	207,892				207,892	231,996
INTEREST HELD IN PERPETUAL TRUST	7,176				7,176	7,114
NOTES RECEIVABLE FROM SUBSIDIARY	22,666			(21,100)	1,566	1,649
LAND, BUILDINGS, AND EQUIPMENT - NET	270,350	3,590	12,994		286,934	300,250
TOTAL ASSETS	\$ 691,631	\$ 3,590	\$ 13,383	\$ (21,100)	\$ 687,504	\$ 710,636
LIABILITIES AND NET ASSETS						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 70,166	\$ -	\$ 747	\$ -	\$ 70,913	\$ 58,075
DEFERRED INCOME	10,933				10,933	9,779
UNEXPENDED GRANTS	22,982				22,982	17,751
REFUNDABLE ADVANCES - LOANS	16,631				16,631	16,697
INDEBTEDNESS	194,908		21,100	(21,100)	194,908	199,855
SELF-INSURANCE	14,163				14,163	14,000
INTERFUND BALANCES	(9,982)	3,847	6,135			
OTHER LIABILITIES	1,544				1,544	2,126
TOTAL LIABILITIES	321,345	3,847	27,982	(21,100)	332,074	318,283
NET ASSETS:						
Unrestricted	187,269	(257)	(14,599)		172,413	208,878
Temporarily restricted	102,477				102,477	104,526
Permanently restricted	80,540				80,540	78,949
TOTAL NET ASSETS	370,286	(257)	(14,599)	-	355,430	392,353
TOTAL LIABILITIES AND NET ASSETS	\$ 691,631	\$ 3,590	\$ 13,383	\$ (21,100)	\$ 687,504	\$ 710,636

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
 CONSOLIDATED STATEMENT OF ACTIVITIES
 JUNE 30, 2003 AND JUNE 30, 2002
 (\$000s)

	Higher Education	Mundelein	LMC	Eliminating Entries	2003 Consolidated Total	2002 Consolidated Total
OPERATING REVENUES:						
Tuition and fees net of scholarships	\$ 152,514	\$ -	\$ -	\$ -	\$ 152,514	\$ 139,890
Grants and contracts for sponsored projects	54,695				54,695	53,451
Academic support	46,522				46,522	41,756
Gifts	1,555				1,555	1,408
Interest income	1,033				1,033	
Investment income designated for operations	1,320				1,320	970
Other	10,679		2,759	(1,840)	11,598	16,121
Auxiliary services	20,609	865			21,474	19,508
Research and education net assets for operations	1,063				1,063	7,038
Net assets released from restrictions	8,541				8,541	11,655
Total operating revenues	<u>298,531</u>	<u>865</u>	<u>2,759</u>	<u>(1,840)</u>	<u>300,315</u>	<u>291,797</u>
OPERATING EXPENSES:						
Instruction	81,422				81,422	86,282
Research and other sponsored programs	41,913				41,913	40,161
Academic support	62,101				62,101	59,548
Student services	18,663				18,663	19,133
Institutional support	47,987		3,925	(1,840)	50,072	56,302
Operations and maintenance	20,673				20,673	20,200
Depreciation and disposals	19,067	208			19,275	20,580
Auxiliary services	14,315	865			15,180	14,348
Total operating expenses	<u>306,141</u>	<u>1,073</u>	<u>3,925</u>	<u>(1,840)</u>	<u>309,299</u>	<u>316,554</u>
Results of operations	<u>(7,610)</u>	<u>(208)</u>	<u>(1,166)</u>	<u>-</u>	<u>(8,984)</u>	<u>(24,757)</u>
NON OPERATING ACTIVITIES:						
Investment loss net of amounts designated for operations	(2,946)				(2,946)	(13,278)
Other	2,340				2,340	(7,222)
Gain on sale of properties	6,142				6,142	
Transfer of net assets	56				56	
Research and education net assets for operations	(1,063)				(1,063)	(7,038)
Total non-operating activities	<u>4,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,529</u>	<u>(27,538)</u>
Decrease in unrestricted net assets before change in minimum pension liability	<u>(3,081)</u>	<u>(208)</u>	<u>(1,166)</u>	<u>-</u>	<u>(4,455)</u>	<u>(52,295)</u>
Change in pension liability	<u>(32,010)</u>				<u>(32,010)</u>	
Decrease in unrestricted net assets after change in minimum pension liability	<u>(35,091)</u>	<u>(208)</u>	<u>(1,166)</u>	<u>-</u>	<u>(36,465)</u>	<u>(52,295)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:						
Gifts	8,097				8,097	9,723
Investment income (loss)	343				343	(10,853)
Change in annuity value	(2,056)				(2,056)	(820)
Other	42				42	
Transfer of net assets	66				66	(1,055)
Net assets released from restrictions	(8,541)				(8,541)	(11,655)
Decrease in temporarily restricted net assets	<u>(2,049)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,049)</u>	<u>(14,660)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:						
Gifts	1,651				1,651	3,854
Investment loss						(11)
Change in value of perpetual trust	62				62	(956)
Transfer of net assets	(122)				(122)	1,055
Increase in permanently restricted net assets	<u>1,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,591</u>	<u>3,942</u>
Decrease in net assets	<u>(35,549)</u>	<u>(208)</u>	<u>(1,166)</u>	<u>-</u>	<u>(36,923)</u>	<u>(63,013)</u>
Net assets at beginning of year	405,835	(49)	(13,433)	-	392,353	455,366
Net assets at end of year	<u>\$ 370,286</u>	<u>\$ (257)</u>	<u>\$ (14,599)</u>	<u>\$ -</u>	<u>\$ 355,430</u>	<u>\$ 392,353</u>

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
 CONSOLIDATED STATEMENTS OF CASH FLOW
 JUNE 30, 2003 AND JUNE 30, 2002
 (\$000S)

	Higher Education	Mundelein	LMC	2003 Consolidated Total	2002 Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (35,549)	(208)	\$ (1,166)	\$ (36,923)	\$ (63,013)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:					
Add/Deduct Non cash Transactions:					
Depreciation and disposals	21,344	208	535	22,087	23,873
Minimum pension liability	32,010			32,010	
Change in unrealized loss on investments	6,801			6,801	21,290
Total non cash transactions	60,155	208	535	60,898	45,163
Changes in Assets and Liabilities:					
Accounts receivable	9,028		174	9,202	6,329
Notes receivable from subsidiary	83			83	149
Other assets	(6,855)		23	(6,832)	(681)
Accounts payable and accrued expenses	13,066		(228)	12,838	7,170
Deferred income / unexpended grants	6,385			6,385	(3,129)
Self-Insurance	163			163	2,000
Interest in perpetual trust	(62)			(62)	916
Refundable advances	(66)			(66)	(62)
Other liabilities	(582)			(582)	(176)
Interfund balances	(632)	(30)	662		
Total change in Assets and Liabilities	20,528	(30)	631	21,129	12,516
Net cash from operating activities	45,134	(30)	-	45,104	(5,334)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	120,534			120,534	219,372
Purchase of investments	(103,231)			(103,231)	(192,609)
Purchase of plant assets	(8,801)	30		(8,771)	(5,413)
Student loans issued	(4,859)			(4,859)	(4,337)
Student loans collected	4,671			4,671	4,003
Net cash from investing activities	8,314	30	-	8,344	21,016
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds of bond issue	18,610			18,610	
Retirement of debt	(23,557)			(23,557)	(4,938)
Net cash from financing activities	(4,947)	-	-	(4,947)	(4,938)
NET CHANGE IN CASH AND CASH EQUIVALENTS	48,501			48,501	10,744
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	55,034	-	-	55,034	44,290
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 103,535	\$ -	\$ -	\$ 103,535	\$ 55,034

