

Loyola University Chicago
Financial Performance for FY 2004

Financial Highlights

Loyola University Chicago is pleased to announce that the audited financial results for FY 2004 include an operating surplus of \$5.0 million and an overall increase in net assets of \$54.9 million. Non-operating and restricted gains of \$39.0 million reflect a 20.5% return on endowment assets during FY 2004. The remaining \$10.9 million of non-operating income includes gifts, grants and gains on the sale of properties.

During FY 2004, the University made property, plant and equipment investments of \$59.7 million, sold properties for \$18.5 million, refinanced \$77 million of debt that was due in July 2003, and borrowed \$28 million for the new residence hall at the Lake Shore Campus. A net reduction in cash of \$2 million occurred because in FY 2003, the University received \$11 million from the State of Illinois for the construction of the Life Sciences Building and spent approximately \$6.0 million of those proceeds in FY 2004. After adjusting for this transaction, there was a positive cash flow \$4.0 million.

Operating Results

Operating revenues increased from \$300 million in FY 2003 to \$315 million in FY 2004 while operating expenses were approximately \$300 million for both FY 2003 and FY 2004. Tuition revenues accounted for the majority of the operating revenue increase. Through a combination of planned higher enrollments and tuition rate increases of approximately 5%, the University was able to realize an 8% increase in net tuition revenue from last year. Total enrollment increased by more than 600 students from the previous year.

Although the FY 2004 operating expenses of \$310 million included salary increases of about 3% in the aggregate and other necessary expense increases, total operating expenses for 2004 remained essentially flat from FY 2003. This was accomplished through a reduction in FY 2004 operating expenses of \$13.5 million, consisting of about \$6.5 million in administrative and program cost reductions and \$5.4 million of reduced expenses resulting from better utilization of University properties.

Of the \$5.0 million operating surplus for FY 2004, \$3.1 million will be invested in the endowment to support identified academic requirements, \$1.3 million to be set aside to repay debt, and \$.6 to support the Life Sciences Building.

Investment Performance

The investment performance of the University's endowment portfolio for FY 2004 was 20.5%. The market value of the endowment portfolio increased to \$228 million, from \$189 million at June 30, 2003.

In the stewardship of the investments, we are continually reviewing how the assets are managed, the level and type of risk incurred, and the level of investment manager fees. A number of changes made more recently in the portfolio to generate better performance, and lower investment fees. The University has also made a conscious decision to reduce endowment spending where possible from the Board-approved maximum of 5% to 4% for fiscal 2004 and 3% for fiscal 2005. Our goal is to rebuild the endowment so that the University will be able to provide for current needs and provide additional financial resources to support the University's strategic objectives.

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Capital Expenditures

FY 2004 capital expenditures totaling \$59.7 million and include: \$24.5 million for the Life Sciences Building; plant upgrades and building renovations of \$13.2 million, including \$6.2 million for residence hall renovations; \$8.9 million for the new student residence hall; strategic land acquisitions of \$4.4 million; new student information system of \$3.6 million; and security upgrades of \$.5 million. These acquisitions were financed from operations, gifts and grants, proceeds from the sale of properties, and debt.

Long-term Debt

Total long-term debt at June 30, 2004 was \$215 million compared to \$195 million at June 30, 2003. During FY 2004, the University refinanced \$77 million of debt due in July 2003, borrowed \$28 million for a new residence hall and repaid \$9.9 million of principal from the proceeds of the sale of the Administration Building.

As a vital part of our financial discipline, the University plans to annually set aside income from renting land to the Franciscan Community and renting the first floor of the Lewis Towers building on the Water Tower Campus to augment the operating budget and to provide support for the payment of debt service. In addition, internal debt obligations were assigned to Housing, SSOM, and Parking requiring payments of principal and interest to be sourced from the revenue-generating activities of these operations. This will further assist the University in meeting its debt service obligations while reducing the need for further increases in tuition or additional reductions in operating expenses.

FY 2004 Was Our Best Year Financially In the Last Decade!

FY 2004 was a very successful year financially due to the collective and collaborative efforts of our faculty, staff, students, Trustees, friends and administrators in taking on a difficult history of operating deficits and initiating the changes required to bring financial health and stability to the University. For this, all of us in Financial Services are deeply grateful and look forward to a very positive future for Loyola University Chicago.