

Chicago's Jesuit University



**LOYOLA
UNIVERSITY
CHICAGO**

**CONSOLIDATED FINANCIAL
STATEMENTS AND
ADDITIONAL INFORMATION**

**AND
INDEPENDENT AUDITORS'
REPORT**

Years Ended June 30, 2002 and 2001

LOYOLA UNIVERSITY OF CHICAGO

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YARS ENDED JUNE 30, 2002 AND 2001

C O N T E N T S

	Page
Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Other Changes in Unrestricted Net Assets	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	
(1) Overview of Loyola University of Chicago	6
(2) Tax Status	6
(3) Summary of Significant Accounting Policies	6
Basis of Presentation	
Cash and Marketable Investments	
Land, Buildings and Equipment	
Reclassification	
(4) Loyola University Health System	7
(5) Cash and Marketable Investments	9
(6) Notes and Accounts Receivable	11
(7) Land, Buildings and Equipment	11
(8) Indebtedness	12
(9) Self Insurance	14
(10) Retirement Plans	14
(11) Other Postretirement Benefits	15
(12) Natural Classification of Expenses	17
(13) Restricted Net Assets	17
(14) Related Party Transactions	18
(15) Commitments and Contingencies	18
(16) Financial Instruments with Off-Balance Sheet Risk	18
(17) Subsequent Events	18
Additional Information – University Academic	Schedule
Statement of Financial Position	1
Statements of Activities	2
Statement of Changes in Net Assets	3
Statements of Cash Flows	4

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, 2002 and 2001, 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 financial position of LUC as of June 30, 2002 and 2001, 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 12, 2002, 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 information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the LUC's management. Such information has been subjected to the auditing procedures applied in our audits 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, 2002

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2002 AND 2001
(\$000s)

2

	University Academic	LUHS	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 55,034	\$ 50,814	\$ -	\$ 105,848	\$ 72,214
MARKETABLE INVESTMENTS	231,996	182,544		414,540	414,695
TOTAL CASH AND MARKETABLE INVESTMENTS	<u>287,030</u>	<u>233,358</u>		<u>520,388</u>	<u>486,909</u>
RECEIVABLES	69,830	143,043		212,873	198,594
INTERFUND BALANCES	12,513		(12,513)		
OTHER ASSETS	39,364	82,379		121,743	122,989
NOTES RECEIVABLE FROM SUBSIDIARY	1,649		(1,649)		
LAND, BUILDINGS AND EQUIPMENT - NET	300,250	270,378		570,628	560,472
TOTAL ASSETS	<u>\$ 710,636</u>	<u>\$ 729,158</u>	<u>\$ (14,162)</u>	<u>\$ 1,425,632</u>	<u>\$ 1,368,964</u>
LIABILITIES AND NET ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 58,075	\$ 92,549	\$ -	\$ 150,624	\$ 121,822
DEFERRED INCOME	9,889			9,889	13,468
UNEXPENDED GRANTS	17,641			17,641	17,191
REFUNDABLE ADVANCES - LOANS	16,697			16,697	16,759
INDEBTEDNESS	199,855	304,658	(1,649)	502,864	425,254
SELF-INSURANCE	14,000	67,750		81,750	71,659
INTERFUND BALANCES		12,513	(12,513)		
OTHER LIABILITIES	2,126	22,024		24,150	21,334
TOTAL LIABILITIES	<u>318,283</u>	<u>499,494</u>	<u>(14,162)</u>	<u>803,615</u>	<u>687,487</u>
NET ASSETS:					
Unrestricted	208,878	219,464		428,342	477,061
Temporarily restricted	104,526	3,391		107,917	122,668
Permanently restricted	78,949	6,809		85,758	81,748
TOTAL NET ASSETS	<u>392,353</u>	<u>229,664</u>	<u>-</u>	<u>622,017</u>	<u>681,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 710,636</u>	<u>\$ 729,158</u>	<u>\$ (14,162)</u>	<u>\$ 1,425,632</u>	<u>\$ 1,368,964</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, 2002 AND JUNE 30, 2001
(\$000s)

3

	University Academic	LUHS	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
RESULTS OF OPERATIONS:					
OPERATING REVENUES:					
Tuition and fees, net of scholarships \$45,717 (2002) and \$41,865 (2001)	\$ 140,117	\$ -	\$ -	\$ 140,117	\$ 129,491
Grants and contracts for sponsored projects	53,451	2,310		55,761	51,070
Academic support	41,756		(16,549)	25,207	18,980
Gifts	1,408	4,042		5,450	7,782
Investment income designated for operations	970	8,853		9,823	14,616
Other	15,295		(1,840)	13,455	13,788
Auxiliary services	20,138			20,138	17,295
Patient care		544,757		544,757	521,517
Research and education net assets for operations	7,038			7,038	3,280
Net assets released from restrictions	11,655	1,901		13,556	10,914
Total operating revenues	291,828	561,863	(18,389)	835,302	788,733
OPERATING EXPENSES:					
Instruction	86,282			86,282	82,153
Research and other sponsored programs	40,161	2,918		43,079	39,160
Academic support	59,336	15,696	(15,696)	59,336	62,958
Student services	19,133			19,133	17,859
Institutional support	56,514	74,375		130,889	118,392
Operations and maintenance	20,200	20,698	(1,840)	39,058	41,073
Depreciation and disposals	20,580	24,230		44,810	45,056
Patient care		413,765		413,765	406,471
Auxiliary services	14,348			14,348	9,772
Total operating expenses	316,554	551,682	(17,536)	850,700	822,894
Results of operations	(24,726)	10,181	(853)	(15,398)	(34,161)
NON OPERATING ACTIVITIES:					
Investment loss net of amounts designated for operations	(13,274)	(3,852)		(17,126)	(9,018)
Other	(7,257)	(2,753)	853	(9,157)	12,077
Research and education net assets for operations	(7,038)			(7,038)	(3,280)
Total non-operating activities	(27,569)	(6,605)	853	(33,321)	(221)
Increase (decrease) in unrestricted net assets before transfer of net assets	\$ (52,295)	\$ 3,576	\$ -	\$ (48,719)	\$ (34,382)

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001
(\$000s)

	University Academic	LUHS	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
Increase (decrease) in unrestricted net assets before transfer of net assets	\$ (52,295)	\$ 3,576	\$ -	\$ (48,719)	\$ (34,382)
Transfer from temporarily restricted net assets					27,489
Increase (decrease) in unrestricted net assets	<u>(52,295)</u>	<u>3,576</u>	<u>-</u>	<u>(48,719)</u>	<u>(6,893)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Gifts	9,723	1,816		11,539	17,160
Investment loss	(10,853)			(10,853)	(9,203)
Change in annuity value	(820)			(820)	(816)
Research and education transfer of net assets					(27,489)
Transfer of net assets	(1,055)			(1,055)	(84)
Net assets released from restrictions	(11,655)	(1,901)		(13,556)	(10,914)
Increase (decrease) in temporarily restricted net assets	<u>(14,660)</u>	<u>(91)</u>	<u>-</u>	<u>(14,751)</u>	<u>(31,346)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Gifts	3,854	68		3,922	5,394
Investment loss	(11)			(11)	
Change in value of perpetual trust	(956)			(956)	
Transfer of net assets	1,055			1,055	84
Increase in permanently restricted net assets	<u>3,942</u>	<u>68</u>	<u>-</u>	<u>4,010</u>	<u>5,478</u>
Increase (decrease) in net assets	(63,013)	3,553		(59,460)	(32,761)
Net assets at beginning of year	<u>455,366</u>	<u>226,111</u>		<u>681,477</u>	<u>714,238</u>
Net assets at end of year	<u>\$ 392,353</u>	<u>\$ 229,664</u>	<u>\$ -</u>	<u>\$ 622,017</u>	<u>\$ 681,477</u>

See notes to consolidated financial statements

LOYOLA UNIVERSITY CHICAGO
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001
(\$000s)

	University Academic	LUHS	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (63,013)	\$ 3,553	\$ -	\$ (59,460)	\$ (32,761)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:					
Add/Deduct Non Cash Transactions:					
Depreciation and disposals	23,853	24,230		48,083	46,264
Change in unrealized loss on investments	21,290	3,852		25,142	53,183
	<u>45,143</u>	<u>28,082</u>		<u>73,225</u>	<u>99,447</u>
Changes in Assets and Liabilities:					
Accounts receivable	548	(14,492)		(13,944)	(12,390)
Notes receivable from subsidiary	149		(149)		-
Other assets	235	1,011		1,246	(19,331)
Accounts payable and accrued expenses	7,170	21,632		28,802	(19,951)
Deferred income / unexpended grants	(3,129)			(3,129)	11,845
Self-Insurance	2,000	8,091		10,091	7,542
Refundable advances	(62)			(62)	(152)
Other liabilities	(176)	2,992		2,816	2,244
Interfund balances	5,782	(5,782)		-	
	<u>12,517</u>	<u>13,452</u>	<u>(149)</u>	<u>25,820</u>	<u>(30,193)</u>
Net cash from operations	<u>(5,353)</u>	<u>45,087</u>	<u>(149)</u>	<u>39,585</u>	<u>36,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	219,372			219,372	238,668
Purchase of investments	(192,609)	(51,750)		(244,359)	(218,702)
Purchase of plant assets	(5,393)	(52,846)		(58,239)	(53,861)
Student loans issued	(4,330)			(4,330)	(2,653)
Student loans collected	3,995			3,995	2,982
Net cash from investing activities	<u>21,035</u>	<u>(104,596)</u>		<u>(83,561)</u>	<u>(33,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Retirement of debt	(4,938)	(28,313)	149	(33,102)	(122,058)
Proceeds of bond issue		110,712		110,712	104,463
Net cash from financing activities	<u>(4,938)</u>	<u>82,399</u>	<u>149</u>	<u>77,610</u>	<u>(17,595)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,744	22,890		33,634	(14,668)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>44,290</u>	<u>27,924</u>		<u>72,214</u>	<u>86,882</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 55,034</u>	<u>\$ 50,814</u>	<u>\$ -</u>	<u>\$ 105,848</u>	<u>\$ 72,214</u>

See notes to consolidated financial statements

LOYOLA UNIVERSITY OF CHICAGO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(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 the University, Loyola Management Company (LMC), Mundelein College (Mundelein) (collectively, University Academic), and Loyola University Health System (LUHS) (see note 4). During fiscal year 2002, the University Academic operated on five 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 hold title to property for the benefit of the University. 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 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 codes. Loyola University of Chicago Insurance Company Ltd. (LUCIC), an affiliate 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 and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be invested and retained permanently by LUC. The donors of these assets permit the use of some or all of the income earned on the related investments for specific purposes.

Temporarily Restricted - Net assets whose use is limited by donor stipulations that expire with the passage of time, the occurrence of an event, or the fulfillment of certain conditions.

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

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.

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received and reported at fair value. The gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit their use.

Unrestricted net assets are those which are not subject to donor-imposed restrictions. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal agreements of the University management.

Revenues from tuition and fees are reported in the fiscal year in which the educational programs are predominantly conducted. Revenue from grants and contracts is recognized when the expenses are incurred. Gifts are recorded as revenues in the period received. The expiration or fulfillment of donor-imposed restrictions on contributions is recognized in the period in which the restriction expires and results in the release to unrestricted net assets.

Academic support and auxiliary services revenues are recognized when earned as unrestricted net assets.

Cash and Marketable Investments

Cash includes cash equivalents, which are liquid investments having original maturities of three months or less.

Investments are recorded at fair 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 fair value are estimated 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.

Land, Buildings and Equipment

Land, buildings and equipment used for University 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.

Reclassification

Certain reclassifications have been made to the 2001 balances to conform to the presentation used in 2002.

(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.

The University 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 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 the University

Affiliation and Operating Agreement - The University 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 the University for the following: reimbursements received by LUMC for direct medical education; a portion of the salaries and benefits of the Stritch School of Medicine (SSOM) faculty who provide health management services to LUMC; general support to SSOM and the University; and capital support to SSOM. These amounts totaled \$26.084 million for 2002 and \$25.655 million for 2001.

Shared Services - Certain service departments in the University and LUMC provide services to both entities. Examples of such shared services include portions of Information Technologies, 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 2002 and 2001.

Facilities Leases - In 1995 the University 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 University facilities exceeds the University's rental of LUMC facilities, and the University agreed to forgive the annual rent differential. The amount forgiven under these leases approximates \$4.501 million in 2002 and \$4.2 million in 2001.

Loyola University Center for Health and Fitness - In 1997 the University 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. The University and LUHS entered into an agreement under which LUHS is to provide financial support equal to any cash flow deficits of LUCHF. LUHS payments under this agreement were not required in 2002 or 2001.

1997 Debt Refinancing Agreement - As part of the 1995 transfer of healthcare operations to LUMC, the University and LUMC entered into certain Affiliate Guaranties related to the University's then-outstanding bonds. In 1997, the University and LUHS refinanced substantially all of the University's and LUHS' debt in order to release LUMC from the restrictions of the Affiliate Guaranties and to separate the University's credit from LUHS' credit. The University, LUMC and LUHS entered into the 1997 Debt Refinancing Agreement which provides that LUMC and LUHS will pay the University for any costs and expenses associated with refunding or defeasing University 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 the University and LUMC vary each year. In 2002, payment due to LUMC totaled \$1.307 million, and in 2001, payments due to the University under this agreement totaled \$671 thousand.

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) Cash and Marketable Investments

Summary

The fair value of cash, cash equivalents and marketable investments at June 30, 2002 and 2001 was:

(in thousands of dollars)

	2002			2001
	University Academic	LUHS	Total	
Cash and cash equivalents	\$ 55,034	\$ 50,814	\$105,848	\$ 72,214
Marketable Investments:				
Equity	125,571	33,126	158,697	185,604
Fixed income	86,823	142,706	229,529	205,804
Real estate	<u>19,602</u>	<u>6,712</u>	<u>26,314</u>	<u>23,287</u>
Total	<u>\$ 287,030</u>	<u>\$233,358</u>	<u>\$520,388</u>	<u>\$486,909</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

The University, as part of its asset and liability management strategy, enters into various types of transactions that involve financial instruments with off-balance-sheet risk. The investment portfolio, consisting of endowment and similar funds and risk retention funds, includes the use of futures and options. The contract or notional amounts of derivatives do not represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The University is exposed to credit risk in the event of non-performance by counterparties to derivative instruments. Credit exposure represents the University's potential loss if all of the counterparties failed to perform under the contractual terms of the contracts and all collateral, if any, would become worthless. This exposure is measured by the fair value of contracts with a positive fair value at the reporting date. The University manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements and obtaining collateral where appropriate. To date, the University has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Futures contracts have limited off-balance sheet risk as they are executed on organized exchanges and require security deposits, as well as the daily cash settlement of margins.

The University enters into forward contracts with only high quality institutions. The following tables summarize derivative financial instruments held or issued at June 30, 2002 and 2001:

(in thousands of dollars)

	2002				2001			
	Notional or Contract	Estimated Fair Value	Average Fair Value	Net Trading Losses	Notional or Contract	Estimated Fair Value	Average Fair Value	Net Trading Losses
Futures Contracts				(\$ 4,224)				(\$ 4,220)
Assets	\$ 25,830	(\$ 1,032)	(\$ 357)		\$29,833	(\$ 1,091)	(\$ 538)	
Liabilities	(7,855)	10	210		(11,014)	123	5,308	
Forward Contracts				(201)				(665)
Assets			11,428		8,268	8,119	10,737	
Liabilities			(8,060)		(4,629)	(4,569)	(6,732)	

	2002			2001			
	Notional or Contract Held	Contract Written	Average Fair Value	Notional or Contract Held	Contract Written	Average Fair Value	Net Trading Losses
Options	\$ -	(\$ 900)	(\$ 942)	\$52,810	(\$56,581)	(\$ 753)	(\$ 201)

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'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 the University 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. The University'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, 2002 and 2001 was:

(in thousands of dollars)

	2002			2001
	University Academic	LUHS	Total	
Interest and dividends	\$ 7,105	\$ 7,239	\$ 14,344	\$ 14,628
Net realized (losses)/gains	(7,381)	1,614	(5,767)	35,573
Net unrealized losses	(21,290)	(3,852)	(25,142)	(52,047)
Management fees	(1,602)	-	(1,602)	(1,759)
Total return on investment	(\$ 23,168)	\$ 5,001	(\$ 18,167)	(\$ 3,605)

(6) Notes and Accounts Receivable

Notes and accounts receivable at June 30, 2002 and 2001 consisted of:

(in thousands of dollars)	2002			2001
	University Academic	LUHS	Total	
Student loan notes (less allowance for doubtful accounts of \$2,652 (2002) and \$2,604 (2001))	\$ 21,437	\$ -	\$ 21,437	\$ 21,465
Contributions (less allowance for doubtful accounts of \$681 (2002) and \$663 (2001))	22,020	402	22,422	22,300
Healthcare (less allowance for doubtful accounts of \$15,531 (2002) and \$13,855 (2001))		136,154	136,154	122,282
Student receivable (less allowance for doubtful Accounts of \$3,461 (2002) and \$737 (2001))	11,751		11,751	15,728
Other (less allowance for doubtful accounts of \$2,686 (2002) and \$2,094 (2001))	<u>14,622</u>	<u>6,487</u>	<u>21,109</u>	<u>16,819</u>
Total notes and accounts receivable	<u>\$ 69,830</u>	<u>\$143,043</u>	<u>\$212,873</u>	<u>\$198,594</u>

Contributions receivable at June 30, 2002 and 2001 are expected to be realized in the following periods:

(in thousands of dollars)	2002			2001
	University Academic	LUHS	Total	
In one year or less	\$ 1,921	\$ 302	\$ 2,223	\$ 2,755
Between one year and five years	11,534	100	11,634	11,813
More than five years	16,806		16,806	15,302
Discount \$7,560 (2002) and \$6,907 (2001) and allowance \$681 (2002) and \$663 (2001)	<u>(8,241)</u>		<u>(8,241)</u>	<u>(7,570)</u>
Total contributions receivable	<u>\$ 22,020</u>	<u>\$ 402</u>	<u>\$ 22,422</u>	<u>\$ 22,300</u>

(7) Land, Buildings and Equipment

Components of land, buildings, equipment, and books at June 30, 2002 and 2001 were:

(in thousands of dollars)	2002			2001
	University Academic	LUHS	Total	
Land	\$ 46,490	\$ 6,759	\$ 53,249	\$ 34,757
Buildings	405,717	275,904	681,621	666,455
Equipment	38,173	117,696	155,869	126,214
Library books and art	20,094		20,094	20,079
Construction in progress	1,585	56,090	57,675	69,029
Other real estate	<u>41,262</u>		<u>41,262</u>	<u>48,045</u>
Total	553,321	456,449	1,009,770	964,579
Accumulated depreciation	<u>(253,071)</u>	<u>(186,071)</u>	<u>(439,142)</u>	<u>(404,107)</u>
Total land, buildings, and equipment	<u>\$300,250</u>	<u>\$270,378</u>	<u>\$ 570,628</u>	<u>\$560,472</u>

(8) Indebtedness

Summary

Notes and bonds payable as of June 30, 2002 and 2001 are shown below:

(in thousands of dollars)	Final Maturity	Interest Rate	2002	Interest Rate	2001
University Academic					
Fixed rate:					
Illinois Educational Facilities Authority (IEFA):					
Series 1997A convertible bonds	2024	5.7%	\$ 37,540	5.7 or 7.84%	\$ 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%	834	9.00%	904
6542-48 N. Sheridan Rd.	2015	9.50%	836	9.50%	867
Capital Lease	2007	8.31%	<u>516</u>	8.31%	<u>603</u>
Total fixed rate			<u>111,381</u>		<u>111,569</u>
Variable rate:					
Medium-term notes	2002	2.22%	16,110	5.01%	20,860
Medium-term notes	2003	** 7.65%	53,030	** 7.65%	53,030
IEFA commercial paper pool	2007	1.46%	<u>19,334</u>	2.89%	<u>19,334</u>
Total variable rate			<u>88,474</u>		<u>93,224</u>
Total University Academic indebtedness			<u>\$199,855</u>		<u>\$204,793</u>

** Under the terms of a swap agreement entered into as of the issuance date of these MTNs, the interest rate is effectively LIBOR plus 0.55%.

(in thousands of dollars)	Final Maturity	Interest Rate	2002	Interest Rate	2001
LUHS					
Fixed rate:					
Illinois Health Facilities Authority (IHFA):					
Series 1997A bonds	2031	5.8-6.1%	\$ 90,732		\$ -
Series 1997A bonds	2024	4.7-6.0%	<u>129,567</u>	4.7-6.0%	<u>132,326</u>
Total fixed rate			<u>220,299</u>		<u>132,326</u>
Variable rate:					
IHFA Series 1997B bonds	2024	1.20%	16,110	2.60%	16,535
IHFA Series 1997C bonds	2024	1.90%	46,600	3.90%	46,600
Line of credit		variable	<u>20,000</u>		<u>25,000</u>
Total variable rate			<u>82,710</u>		<u>88,135</u>
Total LUHS indebtedness			<u>303,009</u>		<u>220,461</u>
Total indebtedness			<u>\$502,864</u>		<u>\$425,254</u>

Interest rates shown in the Variable Rate sections of these charts represent the average outstanding interest rate at June 30, 2002.

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, 2002.

Repayments and Classification

Total scheduled maturities for the next five fiscal years are:

(in thousands of dollars) Fiscal Year	2002		
	University Academic	LUHS	Total
2003	\$16,312	\$3,445	\$19,757
2004	61,376	3,668	65,044
2005	240	4,346	4,586
2006	2,477	5,448	7,925
2007	<u>5,165</u>	<u>7,770</u>	<u>12,935</u>
	<u>\$85,570</u>	<u>\$24,677</u>	<u>\$110,247</u>

Disclosure of Fair Value of Long-term Debt

The fair value of the outstanding debt as of June 30, 2002 and 2001 was:

(in thousands of dollars)	2002		2001	
	Fair Value	Carrying Value	Fair Value	Carrying Value
University Academic	\$191,054	\$199,855	\$199,605	\$204,793
LUHS	291,209	284,658	198,836	197,259

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 to LUC on similar borrowings.

Interest

Interest paid by University Academic and LUHS for the years ended June 30, 2002 and 2001 was:

(in thousands of dollars)	2002			2001
	University Academic	LUHS	Total	
Interest paid	<u>\$ 11,088</u>	<u>\$10,344</u>	<u>\$ 21,432</u>	<u>\$ 24,279</u>

Interest Rate Swaps

From time to time, the University 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, the University entered into a swap agreement which effectively changed the interest rate of the University's \$53.03 million MTNs from the fixed rate of 7.65% to a floating rate of LIBOR plus .55%. As a result, in 2002 interest expense on these MTNs was reduced by \$2.373 million and by \$378 thousand in 2001.

In March 2002, LUHS entered into two interest rate swap agreements 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 floating rate swap 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 net amounts received under the interest rate swap agreements reduced interest expense by \$312 thousand in 2002. At June 30, 2002, the net mark-to-market fair value adjustment of the swaps was (\$1.900) million, which is recorded as a liability and as a component of changes in unrestricted net assets.

(9) **Self Insurance**

University

The University 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 the University and its full-time SSOM faculty established a joint University/Physician risk retention program to provide general and professional liability protection to the University and patient liability protection to participating faculty. Until June 30, 1995 the University 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 University retains its assets and liabilities associated with this program.

The provision for risk retention is calculated using an actuarial basis and management judgment. The reserve for risk retention is the estimated present value of claims and claims adjustment expense which will be settled in the future, discounted at 7%, and considers anticipated payout patterns of losses. Management considers the reserve adequate to cover the University'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 7.25% and 7% at June 30, 2002 and 2001, 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 of the University and LUHS participate in either the defined contribution pension plan for faculty and academic staff or the defined benefit and contribution plans for nonacademic personnel. Contributions to the plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Code and related regulations.

Defined contribution pension plan costs included in the consolidated statements of activities for the University and LUHS for the years ended June 30, 2002 and 2001 were:

(in thousands of dollars)

	2002			2001
	University Academic	LUHS	Total	
	\$ 7,799	\$ 2,410	\$ 10,209	\$ 10,010

The defined benefit pension plan assets consist primarily of bonds and common stocks. Summary information for the defined benefit pension plan follows:

	2002			2001
	University Academic	LUHS	Total	
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 75,374	\$ 101,787	\$177,161	\$165,463
Change in actuarial estimate		(4,329)	(4,329)	
Service cost	2,760	5,143	7,903	7,773
Interest cost	5,689	7,461	13,150	12,164
Interplan transfers	(6,003)	6,110	107	
Benefits paid	(5,851)	(8,383)	(14,234)	(12,090)
Actuarial (gain) loss	1,432	(995)	437	3,851
Benefit obligation, end of year	<u>\$ 73,401</u>	<u>\$106,884</u>	<u>\$180,285</u>	<u>\$177,161</u>
Change in plan assets				
Fair value of plan assets, beginning of year	\$103,933	\$134,509	\$238,442	\$262,581
Actual return on plan assets	2,282	2,953	5,235	(12,083)
Interplan transfers	(6,003)	6,110	107	
Expenses paid	(900)	(1,290)	(2,190)	
Benefits paid	(5,851)	(8,383)	(14,234)	(12,056)
Fair value of plan assets, end of year	<u>\$ 93,461</u>	<u>\$133,899</u>	<u>\$227,360</u>	<u>\$238,442</u>
Reconciliation of funded status				
Funded status	\$ 20,060	\$ 27,015	\$ 47,075	\$ 65,520
Unrecognized net actuarial (gain) loss	5,110	(10,278)	(5,168)	(22,553)
Unrecognized prior service cost	2,776	2,188	4,964	5,443
Prepaid pension cost	<u>\$ 27,946</u>	<u>\$ 18,925</u>	<u>\$ 46,871</u>	<u>\$ 48,410</u>
Weighted average assumptions				
Discount rate	7.50%	7.50%		7.75%
Expected return on plan assets	8.5%	8.5%		8.5%
Rate of compensation increase	2.5%	2.5%		3.0%
Components of net pension expense				
Service cost	\$ 2,760	\$ 5,143	\$ 7,903	\$ 7,773
Interest cost	5,689	7,461	13,150	12,164
Expected return on plan assets	(8,667)	(11,325)	(19,992)	(22,041)
Amortization of prior service cost	253	227	480	(2,189)
Net periodic pension cost	<u>35</u>	<u>1,506</u>	<u>1,541</u>	<u>(4,293)</u>
Total pension expense	<u>\$ 35</u>	<u>\$ 1,506</u>	<u>\$ 1,541</u>	<u>(\$ 4,293)</u>

(11) Other Postretirement Benefits

The University has a defined benefit retiree health plan covering eligible University and LUMC 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 by December 31, 2000, regardless of age.

Summary information on the plan follows:

(in thousands of dollars)

	2002			2001
	University Academic	LUHS	Total	
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 22,241	\$ 9,522	\$ 31,763	\$ 28,349
Service cost	1,535	126	1,661	1,588
Interest cost	1,676	711	2,387	2,081
Participant contributions	500	224	724	674
Benefits paid	(2,059)	(1,212)	(3,271)	(2,838)
Actuarial (gain) loss	6,106	2,049	8,155	1,909
Benefit obligation, end of year	\$ 29,999	\$ 11,420	\$ 41,419	\$ 31,763
Change in plan assets				
Fair value of plan assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Employer contributions	1,559	988	2,547	2,164
Participant contributions	500	224	724	674
Benefits paid	(2,059)	(1,212)	(3,271)	(2,838)
Fair value of plan assets, end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of funded status				
Funded status	\$ 29,999	\$ 11,420	\$ 41,419	\$ 31,763
Unrecognized actuarial gain (loss)	(6,756)	(3,193)	(9,949)	(2,832)
Accrued postretirement benefit obligation	\$ 23,243	\$ 8,227	\$ 31,470	\$ 28,931
Components of net periodic postretirement benefit cost				
Service cost	\$ 1,535	\$ 126	\$ 1,661	\$ 1,588
Interest cost	1,676	711	2,387	2,081
Net periodic benefit cost	\$ 3,211	\$ 837	\$ 4,048	\$ 3,669
Discount rate	7.50%	7.50%	7.50%	7.75%
Assumed health care cost trend rates				
	2002	2003	2004	2005±
HMO plans	6%	6%	6%	6%
Non-HMO plans	6%	6%	6%	6%

	2002			2001
	University Academic	LUHS	Total	
Effect of a 1% change in the health care cost trend rates				
1% increase				
On total of service and interest cost components	\$ 3,689	\$ 1,404	\$ 5,093	\$ 582
On year-end postretirement benefit obligation	304	344	648	3,826
1% decrease				
On total of service and interest cost components	(3,168)	(1,206)	(4,374)	(479)
On year-end postretirement benefit obligation	(257)	(291)	(548)	(3,246)

(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, 2002 and 2001 were:

(in thousands of dollars)	2002		2001	
	University Academic	LUHS	University Academic	LUHS
Compensation:				
Salaries	\$157,181	\$227,779	\$150,548	\$220,146
Benefits	20,086	42,231	21,193	40,932
Total compensation	<u>\$177,267</u>	<u>\$270,010</u>	<u>\$171,741</u>	<u>\$261,078</u>
Other expenses:				
Utilities, alterations, repairs, and plant maintenance	\$ 28,196	\$ 32,989	\$ 27,607	\$ 34,407
Supplies and general expenses	75,684	190,851	73,131	184,950
Insurance	2,117	23,912	2,493	11,113
Interest	10,989	9,690	14,826	11,736
Depreciation	22,301	24,230	23,326	22,938
Total other expenses	<u>\$139,287</u>	<u>\$281,672</u>	<u>\$141,383</u>	<u>\$265,144</u>
Total expenses	<u>\$316,554</u>	<u>\$551,682</u>	<u>\$313,124</u>	<u>\$526,222</u>

(13) Restricted Net Assets

The program restrictions for temporarily and permanently restricted net assets at June 30, 2002 and 2001 were:

(in thousands of dollars)	2002			2001
	University Academic	LUHS	Total	
Temporarily Restricted				
Academic or program support and student financial aid	\$ 67,059	\$ -	\$ 67,059	\$ 84,906
Research	1,807		1,807	4,906
Student loans	6,024		6,024	5,993
Construction	7,653		7,653	6,176
Other	21,983	3,391	25,374	20,687
Total temporarily restricted net assets	<u>\$104,526</u>	<u>\$ 3,391</u>	<u>\$107,917</u>	<u>\$122,668</u>
	2002			2001
	University Academic	LUHS	Total	
Permanently Restricted				
Academic or program support and student financial aid	\$ 78,845	\$ -	\$ 78,845	\$ 74,903
Student loans	104		104	104
Other		6,809	6,809	6,741
Total permanently restricted net assets	<u>\$ 78,949</u>	<u>\$ 6,809</u>	<u>\$ 85,758</u>	<u>\$ 81,748</u>

During the year ended June 30, 2001, LUC identified certain net assets that were improperly classified. A review of all net assets resulted in a transfer of \$27.489 million net assets from temporarily restricted to unrestricted. The entire amount of the transfer pertains to funds received by LUC from the Loyola University Physician Foundation (LUPF) to fund research and education activities at SSOM. A transfer of \$84 thousand resulted from a reclassification of permanently restricted net assets to temporarily restricted in FY2001. These amounts pertain to academic or program support and student financial aid. During FY2002 a transfer of

\$1.055 million resulted from temporarily restricted to permanently restricted. These amounts pertain to transfers of balances for fund restriction reclassifications that occurred as a result of management analysis.

(14) Related Party Transactions

The Loyola University Physician Foundation (LUPF) is an incorporated medical faculty practice plan, consisting of the faculty of the SSOM. The physician employees of LUPF perform their clinical services by contractual arrangement with the University 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. The University 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 the University and LUMC in the years ended June 30, 2002 and 2001 and amounts receivable on these dates were:

(in thousands of dollars)	2002			2001
	University Academic	LUHS	Total	
Revenues	\$ 21,452	\$ 15,900	\$ 37,352	\$ 38,502
Accounts receivable	2,285	3,469	5,754	5,318

(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 the University's financial position or results of operations.

(16) Financial Instruments with Off-Balance Sheet Risk

In April 1994, the University sold student loans of \$7.2 million with 100% recourse. The balance of receivables outstanding under this agreement at June 30, 2002, is \$788 thousand.

The University and LUMC have 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 9, 2002, the University drew \$16,109,789 on a new uncommitted reducing line of credit with Bank One, which refinanced a portion of the \$20,860,000 Medium-Term Notes maturing that date. The remaining \$4,750,211 of Medium-Term Notes maturing that date were legally defeased in accordance with SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" on June 28, 2002. The line of credit will expire on July 31, 2003 and bears interest at the rate of Eurodollar rate + .50%.

On September 26, 2002, LUC sold its Mallinckrodt Campus in Wilmette, Illinois, for \$20,000,000. \$7.16 million of the proceeds paid off tax-exempt notes of the Illinois Educational Facilities Authority Commercial Paper Pool originally issued in 1999. LUC also has approximately \$4.4 million of taxable notes allocable to the Mallinckrodt property. This debt is expected to be defeased during fiscal year 2003.

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2002 AND JUNE 30, 2001
(\$000s)

	Higher Education	Mundelein	LMC	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
ASSETS						
CASH AND CASH EQUIVALENTS	\$ 55,034	\$ -	\$ -	\$ -	\$ 55,034	\$ 44,290
MARKETABLE INVESTMENTS	231,996				231,996	280,049
TOTAL CASH AND MARKETABLE INVESTMENTS	<u>287,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,030</u>	<u>324,339</u>
RECEIVABLES	69,438		392		69,830	70,041
INTERFUND BALANCES	12,513			-	12,513	18,297
OTHER ASSETS	39,170		194		39,364	39,599
NOTES RECEIVABLE FROM SUBSIDIARY	22,749			(21,100)	1,649	1,798
LAND, BUILDINGS, AND EQUIPMENT - NET	282,893	3,828	13,529		300,250	318,710
TOTAL ASSETS	<u>\$ 713,793</u>	<u>\$ 3,828</u>	<u>\$ 14,115</u>	<u>\$ (21,100)</u>	<u>\$ 710,636</u>	<u>\$ 772,784</u>
LIABILITIES AND NET ASSETS						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 57,100	\$ -	\$ 975	\$ -	\$ 58,075	\$ 50,905
DEFERRED INCOME	9,889				9,889	13,468
UNEXPENDED GRANTS	17,641				17,641	17,191
REFUNDABLE ADVANCES - LOANS	16,697				16,697	16,759
INDEBTEDNESS	199,855		21,100	(21,100)	199,855	204,793
SELF-INSURANCE	14,000				14,000	12,000
OTHER LIABILITIES	2,126				2,126	2,302
INTERFUND BALANCES	(9,350)	3,877	5,473			
TOTAL LIABILITIES	<u>307,958</u>	<u>3,877</u>	<u>27,548</u>	<u>(21,100)</u>	<u>318,283</u>	<u>317,418</u>
NET ASSETS						
Unrestricted	222,360	(49)	(13,433)		208,878	261,173
Temporarily restricted	104,526				104,526	119,186
Permanently restricted	78,949				78,949	75,007
TOTAL NET ASSETS	<u>405,835</u>	<u>(49)</u>	<u>(13,433)</u>	<u>-</u>	<u>392,353</u>	<u>455,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 713,793</u>	<u>\$ 3,828</u>	<u>\$ 14,115</u>	<u>\$ (21,100)</u>	<u>\$ 710,636</u>	<u>\$ 772,784</u>

See notes to consolidated financial statements

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001
(\$000s)

	Higher Education	Mundelein	LMC	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
OPERATING REVENUES:						
TUITION AND FEES NET OF SCHOLARSHIPS	\$ 140,117	\$ -	\$ -	\$ -	\$ 140,117	\$ 129,491
GRANTS AND CONTRACTS FOR SPONSORED PROJECTS	53,451				53,451	48,515
ACADEMIC SUPPORT	41,756				41,756	43,170
GIFTS	1,408				1,408	6,772
INVESTMENT INCOME(LOSS) OVER/(UNDER) AMOUNTS DESIGNATED FOR OPERATIONS	970				970	3,556
OTHER	13,863		3,272	(1,840)	15,295	15,302
AUXILIARY SERVICES	19,408	730			20,138	17,295
RESEARCH AND EDUCATION NET ASSETS FOR OPERATIONS	7,038				7,038	3,280
NET ASSETS RELEASED FROM RESTRICTIONS	11,655				11,655	9,582
TOTAL OPERATING REVENUES	289,666	730	3,272	(1,840)	291,828	276,963
OPERATING EXPENSES:						
INSTRUCTION	86,282				86,282	82,153
RESEARCH AND OTHER SPONSORED PROGRAMS	40,161				40,161	36,597
ACADEMIC SUPPORT	59,336				59,336	62,662
STUDENT SERVICES	19,133				19,133	17,859
INSTITUTIONAL SUPPORT	51,914		4,600		56,514	61,388
OPERATIONS & MAINTENANCE	22,040			(1,840)	20,200	20,575
DEPRECIATION AND DISPOSALS	20,408	172			20,580	22,118
AUXILIARY ENTERPRISES	13,618	730			14,348	9,772
TOTAL OPERATING EXPENSES	312,892	902	4,600	(1,840)	316,554	313,124
RESULTS OF OPERATIONS	(23,226)	(172)	(1,328)	-	(24,726)	(36,161)
NON OPERATING ACTIVITIES:						
INVESTMENT LOSS UNDER AMOUNTS DESIGNATED FOR OPERATIONS	(13,274)				(13,274)	(5,847)
OTHER	(7,257)				(7,257)	4,638
RESEARCH AND EDUCATION NET ASSETS FOR OPERATIONS	(7,038)				(7,038)	(3,280)
TOTAL NON-OPERATING ACTIVITIES	(27,569)	-	-	-	(27,569)	(4,489)
DECREASE IN UNRESTRICTED NET ASSETS BEFORE TRANSFER OF NET ASSETS	(50,795)	(172)	(1,328)	-	(52,295)	(40,650)

See notes to consolidated financial statements

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001
(\$000s)

	Higher Education	Mundelein	LMC	Eliminating Entries	2002 Consolidated Total	2001 Consolidated Total
DECREASE IN UNRESTRICTED NET ASSETS BEFORE TRANSFER OF NET ASSETS	(50,795)	(172)	(1,328)	-	(52,295)	(40,650)
TRANSFER OF NET ASSETS					-	27,489
DECREASE IN UNRESTRICTED NET ASSETS	(50,795)	(172)	(1,328)	-	(52,295)	(13,161)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:						
GIFTS	9,723				9,723	15,748
INVESTMENT LOSS	(10,853)				(10,853)	(9,203)
CHANGE IN ANNUITY VALUE	(820)				(820)	(816)
RESEARCH AND EDUCATION TRANSFER OF NET ASSETS	-				-	(27,573)
TRANSFER OF NET ASSETS	(1,055)				(1,055)	-
NET ASSETS RELEASED FROM RESTRICTIONS	(11,655)				(11,655)	(9,582)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(14,660)	-	-	-	(14,660)	(31,426)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:						
GIFTS	3,854				3,854	4,007
INVESTMENT LOSS	(11)				(11)	-
CHANGE IN VALUE OF PERPETUAL TRUST	(956)				(956)	-
TRANSFER OF NET ASSETS	1,055				1,055	84
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	3,942	-	-	-	3,942	4,091
DECREASE NET ASSETS	(61,513)	(172)	(1,328)	-	(63,013)	(40,496)
NET ASSETS AT BEGINNING OF YEAR	467,348	123	(12,105)	-	455,366	495,862
NET ASSETS AT END OF YEAR	\$ 405,835	\$ (49)	\$ (13,433)	\$ -	\$ 392,353	\$ 455,366

See notes to consolidated financial statements

LOYOLA UNIVERSITY CHICAGO - UNIVERSITY ACADEMIC
CONSOLIDATED STATEMENTS OF CASH FLOW
YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001
(\$000S)

	Higher Education	Mundelein	LMC	2002 Consolidated Total	2001 Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (61,513)	\$ (172)	\$ (1,328)	\$ (63,013)	\$ (40,496)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:					
<i>Add/Deduct Noncash Transactions:</i>					
Depreciation and disposals	23,681	172		23,853	23,326
Change in unrealized loss on investments	21,290			21,290	50,012
Total	<u>44,971</u>	<u>172</u>	<u>-</u>	<u>45,143</u>	<u>73,338</u>
<i>Changes in Assets and Liabilities:</i>					
Accounts receivable	534		14	548	(13,350)
Notes receivable from subsidiary				149	65
Other assets	273		(38)	235	(11,101)
Accounts payable and accrued expenses	7,127		43	7,170	(11,372)
Deferred income / unexpended grants	(3,129)			(3,129)	11,845
Self-insurance	2,000			2,000	(16,869)
Refundable advances	(62)			(62)	(152)
Interfund balances	4,930	67	785	5,782	(7,745)
Other liabilities	(176)			(176)	278
	<u>11,497</u>	<u>67</u>	<u>804</u>	<u>12,517</u>	<u>(48,401)</u>
Net cash from operations	<u>(5,045)</u>	<u>67</u>	<u>(524)</u>	<u>(5,353)</u>	<u>(15,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	219,372			219,372	238,668
Purchase of investments	(192,609)			(192,609)	(199,362)
Purchase of plant assets	(5,850)	(67)	524	(5,393)	(11,005)
Student loans issued	(4,330)			(4,330)	(2,653)
Student loans collected	3,995			3,995	2,982
Net cash from investing activities	<u>20,578</u>	<u>(67)</u>	<u>524</u>	<u>21,035</u>	<u>28,630</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds of bond issue					89,463
Retirement of debt	(4,938)			(4,938)	(104,022)
Net cash from financing activities	<u>(4,938)</u>	<u>-</u>	<u>-</u>	<u>(4,938)</u>	<u>(14,559)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,595			10,744	(1,488)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	44,290			44,290	45,778
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 54,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,034</u>	<u>\$ 44,290</u>

See notes to consolidated financial statements

)

)

)

)

)

)

)

)

o

o

o