2018

ANNUAL REPORT
OF
LOYOLA UNIVERSITY OF CHICAGO

Prepared in compliance with

the Continuing Disclosure Agreement
dated as of July 16, 2003,
in connection with the Illinois Finance Authority (as successor to the Illinois Educational Facilities Authority)
Revenue Bonds,
Loyola University of Chicago, Series 2003A and Series 2003B

and

the Voluntary Continuing Disclosure Undertaking Agreement
dated as of August 15, 2011,
in connection with the Illinois Finance Authority Commercial Paper Revenue Notes
(Loyola University of Chicago Financing Program)

and

the Continuing Disclosure Agreement
dated as of May 31, 2012,
in connection with the Illinois Finance Authority Revenue Bonds,
Loyola University of Chicago, Series 2012B

November 26, 2018

This Annual Report (this "Annual Report") is prepared by Loyola University of Chicago, an Illinois not for profit corporation (the "University"), in compliance with (a) the Continuing Disclosure Agreement (the "2012B Continuing Disclosure Agreement") dated as of May 31, 2012, entered into in connection with the Illinois Finance Authority (the "Authority") Revenue Bonds, Loyola University of Chicago, Series 2012B (the "Series 2012B Bonds"); (b) the Voluntary Continuing Disclosure Undertaking Agreement (the "2011 Voluntary Continuing Disclosure Agreement") dated as of August 15, 2011, entered into in connection with the Authority Commercial Paper Revenue Notes (Loyola University of Chicago Financing Program) (the "2008 Commercial Paper Revenue Notes"); and (c) the Continuing Disclosure Agreement (the "2003 Continuing Disclosure Agreement") dated as of July 16, 2003, entered into in connection with the Authority (as successor to the Illinois Educational Facilities Authority) Revenue Bonds, Loyola University of Chicago, Series 2003A (the "Series 2003A Bonds") and Series 2003B (the "Series 2003B Bonds"). The 2012B Continuing Disclosure Agreement, the 2011 Voluntary Continuing Disclosure Agreement and the 2003 Continuing Disclosure Agreement are collectively referred to in this Annual Report as the "Continuing Disclosure Agreements". Capitalized terms used herein but not defined herein will have the meanings ascribed to them in the Official Statement dated May 16, 2012 relating to the Series 2012B Bonds (the "2012B Official Statement").

This document contains financial and operating data in those areas required to be updated by the Continuing Disclosure Agreements. **It is not intended to, and does not, represent a complete discussion of all the affairs of the University for the past fiscal year, or periods subsequent thereto, include further information that may be relevant, or attempt to update any information other than as required under the Continuing Disclosure Agreements.** In addition to this Annual Report, under the Continuing Disclosure Agreements the University is obligated to disclose separately the occurrence of certain "Material Events" or "significant events" as defined or referenced therein.

The University was founded in 1870 as St. Ignatius College. The founders were members of the Society of Jesus, an order of Roman Catholic priests devoted to education. The University is a not-for-profit institution of higher education in the State of Illinois, with a total enrollment in excess of 17,000 full-time and part-time students on four campuses as of start of the Fall 2018 semester. The University is a coeducational institution offering undergraduate, graduate and professional degree-granting programs. Unless otherwise indicated, financial information provided herein comprises information of the University and the LU Affiliate (as defined below), as shown in the most recent audited financial statements of the University.

Financial Statement Information

Enclosed with this Annual Report are: Consolidated Statements of Financial Position as of June 30, 2018 and 2017; Consolidated Statements of Activities and Changes in Net Assets for the two years ended June 30, 2018 and 2017; Consolidated Statements of Cash Flows for the two years ended June 30, 2018 and 2017; Notes to Consolidated Financial Statements for the years ended June 30, 2018 and 2017; and the independent auditors' report thereon.

The audited consolidated financial statements of the University referenced in the preceding paragraph include the results of the University and Mundelein College, an Illinois not for profit corporation ("Mundelein"). Mundelein is referred to as the "LU Affiliate". During fiscal year 2018, LUC dissolved the Loyola Rome Center Foundation ("Foundation"). The Foundation previously existed to enhance the mission of the John Felice Rome Center.

The University's historical audited consolidated financial statements provided in previous years' annual reports (prior to fiscal year 2011) submitted for purposes of continuing disclosure included the financial position and results of operations of Loyola University Health System (the "Health System") and its healthcare affiliates. Following the closing of the Trinity Transaction (defined below under the caption "Trinity Transaction — Relationship with Health System") on June 30, 2011, the University's audited consolidated financial statements no longer include the financial position and results of operations of the Health System or the other healthcare affiliates.

Only the University is liable for Obligations incurred under the Master Indenture and other University indebtedness described herein. The LU Affiliate is not liable for any indebtedness of the University including any Obligation incurred by the University under the Master Indenture or is subject to any of its covenants. Consequently, the LU Affiliate should not be viewed as an available source of funds for the University. The Health System and its healthcare affiliates are no longer affiliates of the University or an available source of funds except for the limited purposes described below under the caption "Trinity Transaction – Relationship with Health System" pursuant to the Academic Affiliation Agreement described below. The University has no legal obligation to make payments of debt service on any indebtedness of the Health System or any of its

affiliates.

Under the Master Indenture, except as otherwise expressly set forth, all financial tests or reports shall be based, at the University's option, but applied on a consistent basis with respect to a calculation made in a particular instance, on either (a) the unconsolidated financial statements of the University without regard to the LU Affiliate, as set forth in the unaudited consolidating schedules to the audited consolidated financial statements of the University, or (b) the audited financial statements of the University including the consolidated results of the University and the LU Affiliate; provided, however, that the University shall not use statements under this clause (b) if any amount used in the calculation differs by more than 5% (higher or lower) from the amount that would be used if the University had elected to perform the calculation as set out in clause (a) of this sentence. The Loyola University of Chicago Taxable Fixed Rate Bonds, Series 2012A (the "Series 2012A Bonds") and the Series 2012B Bonds were not issued under the Master Indenture, as described further under "Outstanding Long-Term Indebtedness – Tests for the Incurrence of Additional Indebtedness" below.

Except where otherwise indicated, the information in this Annual Report is presented including the results of the University and the LU Affiliate.

Summary University Financial Information: 2018 and 2017. The following tables present summary financial information of the University for the 2018 and 2017 fiscal years. The following financial information for fiscal years 2018 and 2017 is qualified in its entirety by reference to the audited financial statements of the University. See "Management's Discussion of Financial Results" below.

Selected Consolidated Financial Information
($000's)

	Fiscal Year Ended June 30	
	2018	**2017**
Operating Revenues	$594,785	$582,174
Operating Expenses	552,073	538,882
Results of Operations	42,712	43,292
Non-Operating Activities	66,784	65,817
Change in Net Assets	$109,496	$109,109
Debt Service Requirements	$78,635	$53,085
Capital Expenditures	$33,127	$20,829

Selected Consolidated Financial Information
($000's)

	Fiscal Year Ended June 30	
	2018	**2017**
Cash Equivalents and Short-Term Investments	$267,859	$232,918
Endowment and Other Long-Term Investments	730,955	674,242
Land, Building and Equipment (net of depreciation)	1,082,023	1,109,907
Receivable from Trinity Health Corporation	-	10,728
Other Assets	103,222	115,988
Total Assets	$2,184,059	$2,143,783
Indebtedness	404,447	446,433
Other Liabilities	190,485	217,719
Net Assets	1,589,127	1,479,631
Total Liabilities and Net Assets	$2,184,059	$2,143,783

Management's Discussion of Financial Results

General. The University's financial statements are prepared in conformity with U.S. generally accepted accounting principles. See Note 3 of the Notes to Consolidated Financial Statements for the years ended June 30, 2018 and 2017 for a summary of significant accounting policies.

Trinity Transaction. Effective July 1, 2011, the University completed a transaction with Trinity Health Corporation ("Trinity"), an Indiana nonprofit corporation located in Livonia, Michigan. This transaction is described below under the caption "Trinity Transaction – Relationship with Health System".

Fiscal Year 2018 Compared to Fiscal Year 2017. During fiscal year 2018, net assets for the University increased by $109.5 million, compared to an increase in net assets of $109.1 million in 2017. The fiscal year 2018 increase in net assets was due in part to an operating surplus of $42.7 million. The previous fiscal year's operating surplus was $43.3 million. The endowment portfolio had an investment return of 7.5% in fiscal year 2018, compared to the prior year return of 10.9%.

The fiscal year 2018 operating surplus is due primarily to conservative fiscal policies. Operating revenues increased 2.2%, or $12.6 million, from $582.2 million in fiscal year 2017 to $594.8 million in fiscal year 2018, and operating expenses increased 2.4%, or $13.2 million, from $538.9 million in fiscal year 2017 to $552.1 million in fiscal year 2018.

Total net tuition and fees revenue for fiscal year 2018 increased by 1.3%, or $5.0 million, over the prior year. This was the result of a tuition increase of approximately 2.5% for undergraduate students, and a range of 2.0%-2.5% for graduate and professional school tuition. Additionally, in fiscal year 2018, total enrollment equaled 16,673, representing both full- and part-time students. The number of undergraduate students increased 2.6% to 11,420 students compared to 11,129 in the prior year. Graduate and professional enrollments decreased 0.7% from the prior year to 5,253 students. Other revenue increased by $4.3 million, and auxiliary services increased by $1.7 million.

The increase in operating expenses was the result of an increase in salaries and wages of $8.7 million, of which $3.6 million was due to an early retirement incentive program. Non-salary operating expenses increased $5.0 million over the prior year.

With an investment return of approximately 7.5% in fiscal year 2018, the market value of the University's endowment fund net assets increased to $640.3 million at June 30, 2018 from $593.5 million at June 30, 2017. Under the Board of Trustees' current policy, the University limits its spending of endowment funds to 5.0% annually. For the last several years, actual spending has been less than 5.0% in an effort to grow the endowment. The effective spending rate was 2.7% for 2018 and 2.9% for 2017.

Unrestricted net assets increased $74.8 million in fiscal year 2018. This is compared to an increase of unrestricted net assets of $79.0 million in fiscal year 2017. Temporarily restricted net assets increased $22.3 million in both fiscal year 2018 and 2017. Permanently restricted net assets increased $12.4 million in fiscal year 2018 compared to an increase of $7.8 million in fiscal year 2017. Gifts totaled $32.2 million in fiscal year 2018 compared to $21.8 million in fiscal year 2017.

The University had $404.4 million in outstanding debt as of June 30, 2018 compared to $446.4 million as of June 30, 2017. Debt service of $78.6 million in fiscal year 2018 was 14.2% of operating expenses.

Fiscal year 2018 capital expenditures totaled $33.1 million compared with $20.8 million in the prior fiscal year. The University's expenditures in fiscal year 2018 were higher than fiscal year 2017 due to construction of several building projects, including the new Flex Lab Building (the "Flex Lab") and The Alfie Norville Practice Facility (the "Practice Facility"). The Flex Lab, a multi-department lab facility focusing on open spaces and collaborative environments with moveable furniture and equipment, was completed in July 2018. The Practice Facility will fill a critical need for the University's student-athletes, providing the men's and women's basketball and volleyball programs dedicated space to practice. The Practice Facility is expected to be completed in the summer of 2019. Apart from these two new buildings, fiscal year 2018's capital expenditures consisted mainly of continued maintenance and upgrades to current University properties and infrastructure.

For fiscal year 2018, capital expenditures do not include, in accordance with University management policy, equipment purchases with a value under $5,000, which are expensed.

<u>Fiscal Year 2017 Compared to Fiscal Year 2016</u>. During fiscal year 2017, net assets for the University increased overall by $109.1 million. This is compared to an overall decrease in net assets of $6.9 million in 2016. The increase in net assets was due to an operating surplus of $43.3 million compared to the previous fiscal year's operating surplus of $29.8 million and a positive investment return on the endowment portfolio of 10.9%, compared to the fiscal year 2016 negative return of 0.6%.

The fiscal year 2017 operating surplus is due primarily to conservative fiscal policies and an increase in net tuition and fees revenue of 5.9% or $21.3 million. This was the result of a record undergraduate freshman class and a tuition increase of approximately 4.0% for undergraduate students, and a range of 1.9%-4.0% for graduate and professional school tuition. Additionally, in fiscal year 2017, total enrollment equaled 16,422, representing both full- and part-time students. The number of undergraduate students increased 0.5% to 11,129 students compared to 11,079 in the prior year. Graduate and professional enrollments decreased 1.2% from the prior year to 5,293 students.

Total operating revenues increased 4.3% or $23.8 million from $558.4 million in fiscal year 2016 to $582.2 million in fiscal year 2017, and operating expenses increased 1.9% or $10.3 million from $528.6 million in fiscal year 2016 to $538.9 million in fiscal year 2017. Net tuition and fees increased by $21.3 million over the prior year and auxiliary services increased by $4.1 million. The increase in operating expenses was the result of an increase in salaries and wages of $4.9 million, an increase in non-salary operating expenses of $3.5 million, and an increase in depreciation of $1.5 million.

With an investment return of approximately 10.9% in fiscal year 2017, the market value of the University's endowment fund assets increased to $593.5 million at June 30, 2017 from $533.6 million at June 30, 2016. Under the Board of Trustees' current policy, the University limits its spending of endowment funds to 5.0% annually. For the last several years, actual spending has been less than 5.0% in an effort to grow the endowment. The effective spending rate was 2.9% for 2017 and 2.6% for 2016.

Unrestricted net assets increased $79.0 million in fiscal year 2017. This is compared to a decrease of unrestricted net assets of $1.5 million in fiscal year 2016. Temporarily restricted net assets increased $22.3 million in fiscal year 2017 compared to a decrease of $11.3 million in fiscal year 2016. Permanently restricted net assets increased $7.8 million in fiscal year 2017 compared to an increase of $5.8 million in fiscal year 2016. Gifts totaled $21.8 million in fiscal year 2017 compared to $19.0 million in fiscal year 2016.

The University had $446.4 million in outstanding debt as of June 30, 2017 compared to $483.0 million as of June 30, 2016. Debt service of $53.1 million in fiscal year 2017 was 9.9% of operating expenses.

Fiscal year 2017 capital expenditures totaled $20.8 million. The University's expenditures this year were much lower due to prior year completion of most major new-build construction projects. Fiscal year 2017's expenditures consist mainly of continued maintenance and upgrades to existing University property.

For fiscal year 2017, capital expenditures do not include, in accordance with University management policy, equipment purchases with a value under $5,000, which are expensed.

Enrollment; Tuition and Fees; Student Housing; Financial Aid

Enrollment. The following table, based on Fall term registration, sets forth head-count enrollments for the current and past four academic years, representing full-time and part-time students in degree-granting programs. A majority of these students are full-time students registered for the normal course load for the chosen field of study.

University Enrollment

Academic Year	Graduate and Professional	Undergraduate	Total
2014-15	5,580	10,322	15,902
2015-16	5,358	11,079	16,437
2016-17	5,293	11,129	16,422
2017-18	5,253	11,420	16,673
2018-19	5,088	11,919	17,007

Enrollment of freshmen at the University and the number of undergraduate student transfers for the current and past four academic years are as follows:

Freshman and Transfer Enrollment

Academic Year	Freshman Enrollment	Undergraduate Transfers	Total New Enrollment
2014-15	2,292	488	2,780
2015-16	2,194	519	2,713
2016-17	2,622	549	3,171
2017-18	2,654	568	3,222
2018-19	2,770	526	3,296

Various factors will affect future enrollment, including: shifts in demographics, the number of students starting their degree at a community college, the number of applications, the number of accepted students who enroll, the academic qualifications of admitted students, admissions counseling, and the financial need of students. Although the University believes that such factors, in addition to its urban location and diversity of programs, indicate that a generally stable demand for its educational programs will continue, no assurance can be given regarding future enrollment levels.

The following table gives enrollment and other information regarding the student body for the five academic years ending 2018-19.

Student Body Information

	2014-15	2015-16	2016-17	2017-18	2018-19
Full-time Total Enrollment	13,431	13,733	14,286	14,600	14,997
Part-time Total Enrollment	2,471	2,704	2,136	2,073	2,010
Endowment per Full-time-Equivalent Student	$36,852	$36,488	$35,141	$38,421	$40,490
Freshman (Completed) Applications	20,414	21,555	22,712	23,571	25,122
Freshman Acceptances	12,931	15,360	16,482	16,639	17,064
Freshman Enrollment	2,292	2,194	2,622	2,654	2,770
Acceptance Rate (Completed Applications)	63.3%	71.3%	72.6%	70.6%	67.9%
Matriculation Rate	17.7%	14.3%	15.9%	16.0%	16.2%
Average ACT Score	26.8	26.3	26.5	26.8	27.3
Average SAT Score[1]	1,153	1,148	1,146	1,218	1,217
Geographic Distribution (New Freshmen)					
-Chicago Metropolitan	53.9%	54.3%	52.4%	51.2%	47.9%
-State of Illinois (outside Chicago Metropolitan)	3.4%	3.4%	3.2%	2.9%	3.7%
-Out-of-State	42.7%	42.3%	44.4%	45.9%	48.4%

[1] Changes implemented by the College Board in 2016 resulted in SAT scales that differ from the pre-2016 tests. The score of 1,218 reported here for 2017-18 reflects the new SAT test format.

Tuition and Fees. The University meets the costs of its educational programs primarily through tuition, fees, gifts and grants. Tuition is charged at different rates depending on the college or school in which the student is enrolled. The following table sets forth the publicly announced base tuition to be charged by the principal colleges and schools of the University in the 2018-19 academic year and the tuition charged in the preceding four academic years.

	2014-15	2015-16	2016-17	2017-18	2018-19
Undergraduate Schools	$37,270	$39,130	$40,700	$41,720	$42,720
Graduate School (per credit hr.)	$965	$1,003	$1,033	$1,033	$1,033
Graduate School of Business (per course)	$4,275	$4,380	$4,488	$4,488	$4,488
Graduate School of Social Work (per credit hr.)	$955	$978*	$1,007	$1,007	$1,007
School of Law (Full-time JD Program)	$43,350	$44,434	$45,546	$46,460	$47,620
School of Medicine (MD Program)	$51,570	$53,376	$54,710	$56,080	$57,480

* Updated from previously-reported number

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

Student Housing. In Fall 2018, approximately 4,670 students occupied on-campus residences. There are currently 19 residential facilities at the Lake Shore Campus, and there is one residential facility at the Water Tower Campus. For the current academic year, the average cost for a traditional double room and 7-Day All Access meal plan totals $14,420.

Financial Aid. During the 2017-18 academic year, approximately 15,059 students of the University received approximately $460.6 million in financial aid. The sources of these funds were: federal programs (45.9%), the State of Illinois (2.4%), University funds (44.3%) and direct awards to students from various sources (7.4%). Approximately 89% of the University's full-time students received some form of financial aid. Financial aid information for the 2018-19 academic year is not yet available. The following table presents total student financial aid by source.

Total Student Financial Aid
($000's)

Academic Year	Federal	Illinois	University	Other	Total
2013-14...............................	210,913	9,754	142,189	26,225	389,081
2014-15...............................	205,145	10,042	150,814	27,019	393,020
2015-16 ……………………	205,931	9,686	160,085	29,845	405,547
2016-17 ……………………	209,373	11,068	183,640	33,940	438,021
2017-18……………………	211,223	11,272	203,922	34,137	460,552

All financial aid programs furnished by the federal government and the State of Illinois are subject to appropriation and funding by the U.S. Congress and the Illinois General Assembly. Federal and state appropriations to financial aid programs nationally have been generally stable in recent years. For fiscal years 2016 and 2017, however, the State of Illinois delayed funding the Monetary Award Program (MAP) need-based grants for students at Illinois colleges and universities, including the University. The University ultimately received all the expected MAP grant funds applicable to fiscal years 2016 and 2017 from the State of Illinois before the end of fiscal year 2017. The University received all the expected MAP grant funds applicable to fiscal year 2018 from the State of Illinois before the end of fiscal year 2018. Cuts in federal and state aid may occur in the future as the federal and state budgets continue to come under increasing pressure. The effect of any such changes on the University may be adverse and there is no assurance that the current levels of state, federal or University financial aid will be maintained in future years. Changes in the availability of financial aid may adversely affect enrollment.

Gifts and Bequests

The following table sets forth the amount of gifts and private bequests received by the University for the five fiscal years ended June 30, 2018. Amounts shown below are calculated based on generally accepted accounting principles as set forth in the University's audited financial statements and therefore reflect the amount accrued at the time a pledge is made. Actual cash payments may occur over several-year periods. A bequest is recognized when the cash is received.

Gifts and Bequests
($000's)

Fiscal Year Ended June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2014	2,542	18,605	7,016	28,163
2015	1,658	11,558	7,524	20,740
2016	2,300	10,951	5,770	19,021
2017	3,529	11,592	6,685	21,806
2018	1,547	18,905	11,700	32,152

Cash and Investments

The market value of the University's cash and investments (collectively, "Total Investments") at June 30, 2014 through June 30, 2018 and the total return on Total Investments for the fiscal years then ended are set forth in the table below. The University records investment results net of management fees.

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

Fiscal Year Ended June 30	Real Assets[(1)]	Cash and Cash Equivalents[(2)]	Fixed Income[(3)]	Equity[(4)]	Total Investments	Total Return[(5)]
2014………………	56,947	96,651	300,930	388,020	842,548	78,248
2015………………	56,350	66,480	302,223	380,566	805,619	3,944
2016……………....	58,778	71,205	274,336	393,515	797,834	(1,039)
2017………………	64,487	76,847	313,315	452,511	907,160	68,867
2018………………	64,076	87,635	333,576	513,527	998,814	52,902

(1) Real Assets investments include private real estate funds and other investments expected to function as hedges against inflation.
(2) Includes cash in short-term investments and cash in the endowment and other long-term investments, in addition to the amounts identified as Cash and Cash Equivalents on the Consolidated Statement of Financial Position at fiscal year-end.
(3) Fixed income investments include government and corporate debt instruments, mortgage- and asset-backed securities, and alternative investments whose strategies concentrate predominantly on credit markets.
(4) Equity investments include marketable equities, private capital and alternative investments with strategies that concentrate predominantly on equity markets.
(5) Total return on investments includes interest, dividends and realized and unrealized gains and losses on investments and interest earned on cash and cash equivalents.

Land, Buildings and Equipment

The following table sets forth the book value of the land, buildings and equipment of the University (net of accumulated depreciation) as of June 30 in the years 2014 through 2018. The actual replacement value of the University's physical plant, as determined for insurance purposes as of June 1, 2018, was approximately $1.7 billion.

Fiscal Year Ended June 30	Land, Buildings and Equipment - Net ($000's)
2014	1,091,217
2015	1,150,830
2016	1,141,468
2017	1,109,907
2018	1,082,023

Outstanding Long-Term Indebtedness

"Long-Term Indebtedness" below sets forth the total outstanding long-term indebtedness of the University as of June 30, 2018. No indebtedness of the LU Affiliate is included, and short-term indebtedness is excluded. The University routinely assesses its capital needs and borrowing plans on a regular basis.

Long-Term Indebtedness

	Year of Final Maturity[1]	Interest Rates	Amount Outstanding (June 30, 2018) ($000's)
Series 2003B Bonds	2021	5.60%	37,520
Series 2003C Bonds	2018[2]	5.30%	11,540
Series 2007 Bonds[3]	2024	-	-
2008 Commercial Paper Revenue Notes[4]	2038	1.33%	74,040
Installment Note, Rome Center[5]	2029	1.51%	9,929
Series 2012A Bonds	2042	3.20-4.63%	157,220
Series 2012B Bonds	2042	5.00%	85,880
2017 Term Loan[3]	2023	2.56%	22,390
Capital Lease Obligation[6]	2020	4.49-5.03%	663
Total			$399,182
Unamortized bond premium			6,732
Unamortized debt issuance costs			(1,467)
Total indebtedness net of unamortized premium and issuance costs			$404,447

(1) Final maturities reflect calendar year information whereas the University's audited financial statements show fiscal year data.

(2) The University paid the remaining outstanding Series 2003C Bonds on July 2, 2018.

(3) In August 2017, the University entered into a Term Loan Agreement with PNC Bank, National Association, in the amount of $22.4 million at a fixed interest rate of 2.56%, payable semi-annually. That fixed rate is subject to the maintenance of the current ratings assigned to the long-term, unenhanced indebtedness of the University. The University's current ratings are A (S&P Global Ratings) and A1 (Moody's Investors Service). The purpose of the loan was to call and retire the Illinois Finance Authority Series 2007 tax-exempt bonds. The Series 2007 Bonds were called in August 2017 and are no longer outstanding.

(4) The University's 2008 Commercial Paper Revenue Notes have a final mandatory prepayment date of June 1, 2038 and are treated by the University as long-term indebtedness. The 2008 Commercial Paper Revenue Notes are fully backed by PNC Bank, National Association, pursuant to an agreement that, as amended, expires on April 14, 2019 (the "PNC Commercial Paper Facility"). The interest rate shown for the 2008 Commercial Paper Revenue Notes represents the weighted average outstanding interest rate at June 30, 2018.

(5) Principal amount outstanding (approximately 8.5 million Euros at June 30, 2018) is subject to currency fluctuations.

(6) LUC leases equipment under leases classified as capital leases. Capital lease obligations at June 30, 2018 were $0.7 million and are included as part of Indebtedness on the Consolidated Statement of Financial Position. The interest rate was between 4.49% and 5.03%.

Tests for the Incurrence of Additional Indebtedness. The Master Indenture requires that the University comply with one of two alternative tests as a condition precedent to the incurrence of Additional Indebtedness. The Series 2012A Bonds and the Series 2012B Bonds were not issued under the Master Indenture. However, the University has covenanted in the Trust Indenture dated as of May 1, 2012 between the University and U.S. Bank National Association (the "Indenture") for the Series 2012A Bonds and in the Loan Agreement dated as of May 1, 2012 between the University and the Authority (the "Loan Agreement") for the Series 2012B Bonds to comply with the Additional Indebtedness test in the Master Indenture (as amended solely through the Sixth Supplemental Master Indenture), but only for such period that Obligations remain outstanding under the Master Indenture. In the event that the Master Indenture is discharged in full and no Obligations remain outstanding thereunder in accordance with its terms, the provisions of the Indenture and the Loan Agreement applying the Additional Indebtedness test will terminate and be of no further force and effect.

Under the first alternative, a capitalization test, the University must demonstrate that Funded Indebtedness, including any contemplated new debt, does not exceed 50% of total University capitalization (defined as the sum of indebtedness plus net assets). Under the second alternative, a debt service coverage test, the Maximum Annual Long-Term Debt Service on all Funded Indebtedness of the University, including the debt to be issued, may not exceed 10%

of (a) the average of University operating Revenues (as defined under the Master Indenture) for the two most recent Fiscal Years or (b) if the University elects, and the new debt is to finance capital improvements, the average of "Adjusted Revenues" (as defined under the Master Indenture) calculated by a consultant to include projected revenues from such capital improvements.

The following tables provide the actual capitalization and maximum annual debt service coverage of the University (excluding the LU Affiliate) as of June 30, 2018.

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

Capitalization
($000's)

	June 30, 2018
Unrestricted Net Assets	$1,189,189
Temporarily Restricted Net Assets	209,691
Permanently Restricted Net Assets	190,247
Total Net Assets	1,589,127
Indebtedness	404,447
Indebtedness plus Net Assets	$1,993,574
Ratio (Not to exceed 50%)	20.3%

Maximum Annual Long-Term Debt Service Coverage
($000's)

	June 30, 2018
Average University Revenues (fiscal years 2017 and 2018)	$588,480
Maximum Annual Long-Term Debt Service Requirements(1)	$24,448
Ratio (Not to exceed 10%)	4.15%

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

Under the Master Indenture, the University is authorized to establish long-term revolving lines of credit with one or more banks in amounts not to exceed $20 million outstanding at any time, without the need to satisfy any incurrence test, which authority was unused at June 30, 2018.

In addition, so long as (a) the Term Loan Agreement dated August 23, 2017 between the University and PNC Bank, National Association (the "2017 Term Loan Agreement"), in connection with the 2017 Term Loan, remains in effect; or (b) any 2008 Commercial Paper Revenue Notes remain outstanding that are secured by the PNC Commercial Paper Facility, the University is required to meet the same tests for the incurrence of Additional Indebtedness as those required under the Master Indenture, including that the University may not issue Additional Indebtedness unless the University satisfies either of the following:

- ♦ if the University elects to satisfy the capitalization test described above, then it must also comply with either the maximum annual long-term debt service coverage test described above, or one of the following two tests:
  - — the Maximum Annual Debt Service Coverage Ratio of the University for the most recent

Fiscal Year on all Funded Indebtedness, including the debt to be issued, must be not less than 1.20 to 1, or

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

or

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

In addition, so long as the 2017 Term Loan Agreement remains in effect, the University must maintain a Debt Service Coverage Ratio at the end of each Fiscal Year, for the Fiscal Year then ended, of at least 1.20 to 1.0. The Debt Service Coverage Ratio of the University at June 30, 2018 is 2.11 to 1.00.

The maximum annual debt service coverage of the University at June 30, 2018 is 4.81 to 1.00 and the unrestricted plus temporarily restricted net assets minus investment in plant at that date is 178% of long-term debt, each calculated as required by the Master Indenture.

Annual Debt Service Requirements

The following table sets forth, as of the date of this Annual Report, the actual (subject to assumptions described below) annual amounts required for the payment of principal at maturity or by mandatory sinking fund redemption and for the payment of interest on the outstanding indebtedness of the University for each year ending June 30.

Debt Service Schedule[1]

Fiscal Year	Series 2012A Bonds	Series 2012B Bonds	2008 Commercial Paper[2]	Series 2003B&C Bonds	2017 Term Loan[3]	Rome Center Mortgage[4]	Capital Lease Obligations[5]	Total Debt Service
2019	6,456,468	6,536,000	1,480,800	13,641,120	883,099	360,000	425,220	29,782,707
2020	6,456,468	5,962,000	1,851,000	13,249,760	886,340	1,080,000	220,681	29,706,249
2021	6,456,468	6,409,500	2,591,400	13,235,040	895,968	1,080,000	42,693	30,711,069
2022	6,456,468	6,405,750	2,591,400	13,215,000	901,754	1,080,000	4,295	30,654,667
2023	61,846,000	6,400,500	2,591,400	-	7,944,621	1,080,000	-	79,862,521
2024	4,626,000	6,398,250	2,591,400	-	13,471,916	1,080,000	-	28,167,566
2025	4,626,000	6,389,000	2,591,400	-	-	1,080,000	-	14,686,400
2026	4,626,000	22,755,500	2,591,400	-	-	1,080,000	-	31,052,900
2027	4,626,000	14,113,250	2,591,400	-	-	1,080,000	-	22,410,650
2028	8,789,075	3,188,500	2,591,400	-	-	1,080,000	-	15,648,975
2029	8,782,667	3,185,000	2,591,400	-	-	1,080,000	-	15,639,067
2030	8,771,544	3,182,500	2,591,400	-	-	-	-	14,545,444
2031	8,755,475	3,176,000	2,591,400	-	-	-	-	14,522,875
2032	8,743,767	3,170,250	2,591,400	-		-	-	14,505,417
2033	8,735,725	3,165,000	2,591,400	-	-	-	-	14,492,125
2034	8,721,118	3,164,750	2,591,400	-	-	-	-	14,477,268
2035	8,704,483	3,159,500	2,591,400	-	-	-	-	14,455,383
2036	8,690,126	3,154,000	2,591,400	-	-	-	-	14,435,526
2037	8,677,355	3,148,000	2,591,400	-	-	-	-	14,416,755
2038	8,660,705	3,141,250	76,415,450	-	-	-	-	88,217,405
2039	8,644,483	3,133,500	-	-	-	-	-	11,777,983
2040	8,627,996	3,129,250	-	-	-	-	-	11,757,246
2041	8,610,549	3,123,250	-	-	-	-	-	11,733,799
2042	8,591,448	3,115,250	-	-	-	-	-	11,706,698
2043	8,570,000	3,105,000	-	-	-	-	-	11,675,000

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(1) Interest payments due on July 1 each year are included in the prior fiscal year's debt service requirements.

(2) Assumes an average variable rate of 3.50% for outstanding 2008 Commercial Paper Revenue Notes (except for the year 2019 in which the assumed interest rate is 2.00%, and year 2020 is 2.50%). Although the 2008 Commercial Paper Revenue Notes have a final mandatory prepayment date of June 1, 2038, which is reflected as a bullet maturity in this chart, management expects that the principal will be retired or refunded from time to time in earlier years.

(3) The 2017 Term Loan bears a fixed interest rate of 2.56%. That rate is subject to the maintenance of the current ratings assigned to the long-term, unenhanced indebtedness of the University. The University's current ratings are A (S&P Global Ratings) and A1 (Moody's Investors Service). This schedule assumes that the interest rate will remain at 2.56% for the duration of the loan.

(4) This Rome-based indebtedness is denominated in Euros; the schedule assumes an exchange rate of 1.2 Euros per dollar.

(5) LUC leases equipment under leases classified as capital leases. Capital lease obligations at June 30, 2018 were $0.7 million and are included as part of Indebtedness on the Consolidated Statement of Financial Position. The interest rate was between 4.49% and 5.03%.

Trinity Transaction – Relationship with Health System

Effective July 1, 2011, the University completed a transaction with Trinity pursuant to a Definitive Agreement dated March 31, 2011 (the "Definitive Agreement"). Pursuant to the Definitive Agreement, Trinity replaced the University as the sole member of the Health System, and all of its affiliates including Loyola University Medical Center ("LUMC") and Gottlieb Memorial Hospital ("GMH") (the "Trinity Transaction"). As a result of the Trinity Transaction, the University is no longer the parent or an affiliate of the Health System, LUMC, GMH or the other former healthcare affiliates, and these entities no longer are included in the audited consolidated financial statements of the University. Effective July 1, 2011, Trinity controlled all of the assets of the Health System and its affiliates, and all of the liabilities remain with the Health System and its affiliates, except for any assets or liabilities excluded from the Trinity Transaction by the parties.

As part of the consideration under the Definitive Agreement, Trinity provided a payment to the University of $100 million, $80 million of which was paid on July 1, 2011, and the remaining $20 million of which was used to establish an escrow in order to secure the University's obligations under the Definitive Agreement. The University received $10 million from the indemnification escrow account in fiscal year 2014 and $10 million in fiscal year 2016, which was reported in fiscal year 2016 as net cash provided from discontinued operations in the Consolidated Statements of Cash Flows.

In addition to the consideration under the Definitive Agreement, Trinity committed, under the Definitive Agreement and a Research Facility Funding Agreement, an amount equal to $75 million towards the Center for Translational Research and Education ("CTRE") at the University's Health Sciences Campus in Maywood, Illinois. The 225,000-square-foot CTRE building opened in April 2016 and houses more than 500 faculty, staff and students from the University's Stritch School of Medicine (the "Medical School"), Graduate School and Marcella Niehoff School of Nursing (the "Nursing School").

The design, construction, and operation of the CTRE exceeded $150 million. The University is responsible for the balance of the costs of the CTRE as provided by the Research Facility Funding Agreement which was executed by the University and Trinity effective July 1, 2011 and which contains the specific terms regarding the funding of the CTRE. In fiscal year 2018, the University received the final $10.7 million due from Trinity for expenditures related primarily to the construction and equipping of the CTRE, and including these 2018 payments, the University has received a total $75 million from Trinity for the CTRE in accordance with the Research Facility Funding Agreement. No further funding is expected to be received from Trinity under the Research Facility Funding Agreement.

The education and research components of the University's health sciences, including the Medical School and the Nursing School, remain part of the University following the Trinity Transaction. The University, the Health System and LUMC have entered into an Academic Affiliation Agreement effective July 1, 2011 (the "Academic Affiliation Agreement") which includes negotiated terms and conditions and which provides for an annual academic support payment to the University from the Health System and LUMC (which payment is guaranteed by Trinity). The annual academic support payment amount was set at $22.5 million (subject to an inflation adjustment) in fiscal year 2012 for an initial term of 10 years. The University received $23.9 million in fiscal year 2018 and $23.5 million in fiscal year 2017 as the annual academic support payment. The specific terms and conditions of the continuing extensions and the ability to renegotiate, modify, or renew certain terms of the Academic Affiliation Agreement are set forth in the Academic Affiliation Agreement. Among these provisions is one which provides that following the fifth anniversary of the Academic Affiliation Agreement, either party may give notice to the other party to that agreement that the support payment be modified. If so modified, the modified agreement would become effective as of the sixth year following the next anniversary of the Academic Affiliation Agreement following the completion of successful negotiations. Otherwise, the Academic Affiliation Agreement would automatically renew for an additional year unless the support payment is modified as described above, or unless the Academic Affiliation Agreement is terminated (triggering a right of the University as described below to repurchase the Health System and its affiliates (as they are constituted at the time) at fair market value, during the next succeeding five years of the remaining term of the Academic Affiliation Agreement).

The Definitive Agreement also provides the University with certain repurchase rights. If any of the following events occurs, the University has the right to repurchase the Health System and its affiliates (as they are constituted at the time), at fair market value: (a) a change of control of Trinity, the Health System or LUMC as a result of which Trinity, the Health System or LUMC would no longer be bound by the Ethical and Religious Directives for Catholic Health Services as promulgated by the United States Conference of Catholic Bishops, (b) any event that causes the failure of LUMC to maintain its status as an academic medical center as defined by and in accordance with the Academic Affiliation Agreement, or (c) upon the expiration of the Academic Affiliation Agreement after failure of the parties to resolve a dispute related to the academic support payment amount or academic support payment calculation methodology for any period after the initial 10 year term of the Academic Affiliation Agreement. The specific terms and conditions of the University's right to repurchase the Health System and its affiliates are set forth in the Definitive Agreement and the Academic Affiliation Agreement.

In addition to the Research Facility Funding Agreement and the Academic Affiliation Agreement referred to above, other agreements delivered in connection with the Trinity Transaction which have ongoing obligations include a Branding and Trademark License Agreement among the University, Trinity, the Health System, LUMC and certain other healthcare affiliates from time to time regarding the use of the University name, logo, trademarks, service marks, and all related goodwill in connection with their healthcare operations; a Shared Services Agreement among the University, the Health System and/or LUMC regarding sharing certain services; various leases and other real estate agreements among the University, the Health System and/or LUMC providing for the sharing or transfer of certain real estate on the Medical Center Campus; and other instruments and documents.

The University owns the central part of the Health Sciences/Medical Center Campus. This central part is the "Academic/Health Sciences Zone" and includes, among other facilities, the Medical School's Cuneo Center, the Center for Collaborative Studies/School of Nursing, the Center for Health and Fitness, the Cardinal Bernardin Cancer Center (beginning in 2011, subject to a 99-year leasehold interest for the portion of the building currently used by LUMC) and the CTRE. The north end of the campus is owned by LUMC, and includes the primary hospital building and other inpatient facilities and related infrastructure. The south end of the campus is also owned by LUMC and includes outpatient/ambulatory facilities.

Trinity, including the Health System and LUMC, derives a significant portion of its revenues from Medicare, Medicaid and other third-party payor programs. The receipt of future revenues by Trinity and the Health System, including LUMC, is subject to, among other factors, federal and state policies and procedures affecting the healthcare industry, increased competition and other conditions that are not possible to predict. Developments in the healthcare industry, including increases in managed care arrangements, have significantly increased competitive pressures and seek to restrain the growth in healthcare spending by employers, insurers, health maintenance organizations and other payors. No assurance can be given that Trinity, including the Health System and LUMC, will have sufficient revenues or operating income necessary to meet their respective obligations to the University under the Academic Affiliation Agreement now in effect. Healthcare affiliates of Trinity other than the Health System and LUMC are not parties to or obligated under the Academic Affiliation Agreement either as obligors or as guarantors and have no obligations with respect to academic support payments.