

LOYOLA UNIVERSITY EMPLOYEES' RETIREMENT PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2007

LOYOLA UNIVERSITY EMPLOYEES' RETIREMENT PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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REPORT OF INDEPENDENT AUDITORS

To the Participants and Retirement
Allowance Committee of
Loyola University Employees'
Retirement Plan

We have audited the accompanying statements of net assets available for benefits of Loyola University Employees' Retirement Plan (the Plan) as of December 31, 2007 and 2006 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 the Plan's 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, the financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets available for benefits as of December 31, 2007 and changes therein for the year then ended and its financial status as of December 31, 2006 and changes therein for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

July 15, 2008

LOYOLA UNIVERSITY EMPLOYEES' RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
INVESTMENTS - at fair value		
Corporate stocks	\$ 36,875,897	\$ 41,876,554
Bonds and notes	446,702	316,949
Mutual funds	12,426,372	12,522,192
Pooled investment funds	178,134,656	173,601,295
Partnerships and joint ventures	52,130,625	50,876,208
Cash and cash equivalents	2,395,145	1,210,156
Total investments	<u>282,409,397</u>	<u>280,403,354</u>
RECEIVABLES		
Accrued interest and dividends	155,965	130,125
Due from broker for unsettled investment sales	2,401,206	2,427,982
Total receivables	<u>2,557,171</u>	<u>2,558,107</u>
Total assets	<u>284,966,568</u>	<u>282,961,461</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to broker for unsettled investment purchases	553,151	2,421,694
Accounts payable	361,293	405,236
Total liabilities	<u>914,444</u>	<u>2,826,930</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 284,052,124</u>	<u>\$ 280,134,531</u>

See accompanying notes to financial statements.

LOYOLA UNIVERSITY EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ADDITIONS		
Investment income		
Net appreciation in fair value of investments	\$ 20,641,372	\$ 32,026,777
Interest	843,440	882,415
Dividends	2,555,164	3,156,202
	<u>24,039,976</u>	<u>36,065,394</u>
Less investment expenses	(1,588,173)	(1,484,434)
Net investment income	22,451,803	34,580,960
Other	7,740	1,256
Total additions	<u>22,459,543</u>	<u>34,582,216</u>
DEDUCTIONS		
Benefits paid to participants	<u>17,867,587</u>	<u>20,325,292</u>
Administrative expenses		
Actuarial fees	72,404	44,253
Plan termination insurance	256,060	257,171
Reimbursed administrative expenses - Loyola University	131,468	127,105
Trustee fees	157,452	191,270
Legal and audit	41,237	38,763
Other	15,742	13,383
Total administrative expenses	<u>674,363</u>	<u>671,945</u>
Total deductions	<u>18,541,950</u>	<u>20,997,237</u>
NET INCREASE	3,917,593	13,584,979
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	<u>280,134,531</u>	<u>266,549,552</u>
End of year	<u>\$ 284,052,124</u>	<u>\$ 280,134,531</u>

See accompanying notes to financial statements.

LOYOLA UNIVERSITY EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements are prepared using the accrual basis of accounting.

Investments - Investments are carried at fair value which generally represents reported market value as of the last business day of the year. Fair value of the pooled investment funds and the partnerships and joint ventures are carried at estimated fair value. Cash and cash equivalents and one pooled investment fund are carried at cost which approximates fair value.

Actuarial Present Value of Accumulated Plan Benefits - Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service which employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2. DESCRIPTION OF THE PLAN

The Plan was established October 1, 1949 to provide retirement and death benefits for eligible participants. The Plan is a multiple employer defined benefit pension plan and conforms to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Plan covers regular full-time and part-time employees of certain Jesuit institutions except those employees covered under a separate pension plan (TIAA/CREF), members of the Society of Jesus and certain other limited groups. The following employers participate in the Plan:

- Loyola University of Chicago
- Loyola Academy
- Loyola Press
- Loyola University Medical Center
- Chicago Province of the Society of Jesus
- St. Ignatius College Preparatory
- The Jesuit Retreat League of Chicago

NOTE 2. DESCRIPTION OF THE PLAN

Effective March 31, 2004, the Plan was frozen for all Loyola University Medical Center participants and most Loyola University of Chicago participants. St. Ignatius College Preparatory and The Jesuit Retreat League of Chicago elected to freeze on April 30, 2004. Loyola Academy, Loyola Press and the Chicago Province of the Society of Jesus elected to freeze on June 30, 2004. After these dates, no additional service credits will be earned by the participants. Benefits will continue to be paid based upon the number of service credits earned through the respective freeze dates. The one exception is a grandfathered group of approximately 435 Loyola University of Chicago participants who may earn additional service credits for a period of up to five years, based upon individual circumstances.

Prior to the Plan being frozen, employees were eligible for participation after completing at least one thousand (1,000) hours of service during the twelve (12) month period commencing on the employee's date of hire, or if the employee had completed at least one thousand (1,000) hours of service during a Plan year ending before an entry date.

Eligible employees are entitled to annual pension benefits beginning at the normal retirement date (age 65, with some exceptions), based upon a percentage of final average compensation and years of service or 110% of the accrued benefit at December 31, 1988, whichever is greater. Early retirement benefits (at age 55, with some exceptions) are available at reduced amounts.

Retiring employees may elect to receive their retirement benefit under either a lump-sum or annuity option.

Participants should refer to the summary plan description for more complete information.

NOTE 3. PLAN ADMINISTRATION

The administration of the Plan is the responsibility of the Loyola University of Chicago. The Retirement Allowance Committee (Committee) is appointed by the President of the University. The Committee monitors the operation and administration of the Plan and sets strategic policy for the investment of Plan assets. Further, the University Treasurer's Office is responsible for investments of the Plan and Trust in accordance with the strategic investment policy established by the Committee.

The Northern Trust Company serves as trustee and master custodian of the Plan's assets. The Plan pays all significant costs of Plan administration for investment management, office administration and other costs.

NOTE 4. PRIORITIES UPON TERMINATION

The Board of Trustees of Loyola University has the right to terminate the Plan subject to the provisions of ERISA. Termination shall not permit any part of the Plan to be used for or diverted to purposes other than the exclusive benefit of the pensioners, beneficiaries and participants. In the event of termination, the net assets of the Plan will be allocated to pay benefits in priorities as prescribed by ERISA and its related regulations. Whether or not a particular participant will receive full benefits should the Plan terminate at some future time will depend on the sufficiency of the Plan's net assets at that time and the priority of those benefits.

In addition, certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. The PBGC does not guarantee all types of benefits and the amount of any individual participant's benefit protection is subject to certain limitations, particularly with respect to benefit increases as a result of plan amendments in effect for less than five years. Some benefits may be fully or partially provided, while other benefits may not be provided at all.

NOTE 5. TAX STATUS

The Plan obtained its latest determination letter dated March 25, 2003, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements under Section 401(a) of the Internal Revenue Code and was, therefore, generally exempt from federal income taxes under the provisions of Section 501(a). The Plan's administrator and the Plan's counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

The Plan does derive unrelated business income from certain investments. Unrelated business income tax of \$1,099 and \$49,257 for 2007 and 2006 respectively is included in investment expenses in the Statement of Changes in Net Assets Available for Benefits.

NOTE 6. ACTUARIAL INFORMATION

Actuarial valuations of the Plan were made by Hewitt Associates LLC as of January 1, 2007 and 2006. Information in the reports included the following:

	<u>2007</u>	<u>January 1,</u> <u>2006</u>
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Participants currently receiving payments	\$ 51,832,670	\$ 50,552,461
Other participants	<u>145,939,346</u>	<u>143,886,299</u>
Total	197,772,016	194,438,760
Nonvested benefits	<u>1,408,110</u>	<u>7,249,581</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 199,180,126</u>	<u>\$ 201,688,341</u>

As reported by the actuary, the changes in the present value of the accumulated plan benefits for the year ended December 31, 2006 were as follows:

Actuarial present value of accumulated plan benefits at beginning of year		\$ 201,688,341
Increase (decrease) during the year attributable to:		
Benefits accumulated and net experience gain or loss	\$ 4,969,451	
Change in discount rate	3,624,722	
Change in other assumptions	(7,056,780)	
Interest	16,279,684	
Benefits paid	<u>(20,325,292)</u>	
Net (decrease)		<u>(2,508,215)</u>
Actuarial present value of accumulated plan benefits at end of year		<u>\$ 199,180,126</u>

NOTE 6. ACTUARIAL INFORMATION (CONTINUED)

Costs and liabilities for all plan benefits (including ancillary benefits) were determined using the projected unit credit cost method. Some of the more significant actuarial assumptions used in the valuations were:

- Life expectancy of participants - RP-2000 Combined Healthy Participant Table (annuities) and 1994 Group Annuity Reserving Table (lump sums).
- Retirement age assumptions - a table of annual rates of retirement per 100 eligible participants by attained ages ranging from age 55 through age 80 for the 2007 valuation and 59 through age 67 for the 2006 valuation.
- Net investment return - 8.25% per annum for the 2007 valuation and 8.50% for the 2006 valuation.

The above actuarial assumptions are based on the presumption that the Plan will continue. If the Plan was to terminate, different actuarial assumptions and other factors might be applicable in determining actuarial results.

Because information on the accumulated plan benefits at December 31, 2007 and the changes therein for the year then ended are not included above, these financial statements do not purport to present a complete presentation of the financial status of the Plan as of December 31, 2007 and the changes in its financial status for the year then ended, but a presentation of the net assets available for benefits and the changes therein as of and for the year ended December 31, 2007. The complete financial status is presented as of December 31, 2006.

NOTE 7. FUNDING POLICY

The participating employers contribute such amounts as shall be required under accepted actuarial principles to meet the minimum funding standards of ERISA. No credits or refunds are allowed to the employers when benefits are canceled at termination of employment.

Prior to October 1, 1982, participants in the Plan were required to contribute 3-1/2% of the first \$4,200 plus 5% of the excess over \$4,200 of compensation received during each calendar year. Effective October 1, 1982, participants were given a one-time option of discontinuing their contributions to the Plan. Employees entering the Plan on or after October 1, 1982 are not permitted to make contributions. Effective January 1, 1989, all participants were required to discontinue contributions under the Plan. Beginning after 1988, interest is credited on employee contributions at 120% of the federal midterm rate in effect in the first month of the Plan year. Employees' contributions with interest were approximately \$12,927,000 and \$14,418,000 as of December 31, 2007 and 2006, respectively.

NOTE 8. INVESTMENTS

The following summary presents the fair value for each of the investment categories. Investments that represent 5% or more of the Plan's net assets available for benefits are separately identified.

	<u>2007</u>	<u>2006</u>
Investments at fair value as determined by		
quoted market price:		
Corporate stocks	\$ 36,875,897	\$ 41,876,554
Bonds and notes	446,702	316,949
Mutual funds	<u>12,426,372</u>	<u>12,522,192</u>
	<u>49,748,971</u>	<u>54,715,695</u>
Investments at estimated fair value:		
Pooled investment funds:		
Aberdeen Core Plus Alpha		
20 Year Maturity Portfolio	69,641,706	65,701,992
Grantham, Mayo, Van Otterloo		
& Co. ERISA Pooled Trust Fund	30,989,700	26,090,963
Trilogy International Group Trust I	36,107,004	40,467,043
WTC-CIF Opportunistic Growth Fund	28,887,062	23,259,073
Other	<u>11,179,868</u>	<u>11,209,146</u>
	<u>176,805,340</u>	<u>166,728,217</u>
Partnerships and joint ventures:		
Blackstone Partners Investment		
Fund Non-Taxable, LP	19,843,559	17,627,111
Others	<u>32,287,066</u>	<u>33,249,097</u>
	<u>52,130,625</u>	<u>50,876,208</u>
	<u>228,935,965</u>	<u>217,604,425</u>
Investments at cost which approximates		
fair value:		
Pooled investment fund	1,329,316	6,873,078
Cash and cash equivalents	<u>2,395,145</u>	<u>1,210,156</u>
	<u>3,724,461</u>	<u>8,083,234</u>
Total	<u>\$ 282,409,397</u>	<u>\$ 280,403,354</u>

NOTE 8. INVESTMENTS (CONTINUED)

The Plan's investments, including investments bought, sold, as well as held during the year, appreciated (depreciated) in value as follows:

	<u>2007</u>	<u>2006</u>
Investments at fair value as determined by quoted market price:		
Corporate stocks	\$ 522,812	\$ 5,868,255
Bonds and notes	42,305	14,775
Mutual funds	832,141	(380,947)
	<u>1,397,258</u>	<u>5,502,083</u>
Investments at estimated fair value:		
Pooled investment funds	11,345,054	19,428,242
Partnerships and joint ventures	7,899,060	7,096,452
	<u>19,244,114</u>	<u>26,524,694</u>
Total	<u>\$ 20,641,372</u>	<u>\$ 32,026,777</u>

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the Plan utilizes derivative financial instruments such as futures, options, and swap contracts. Futures are used on a limited basis in lieu of cash transactions to maintain a fully invested position and/or to rebalance the Plan's investment portfolio. Derivatives are not used for tactical or speculative purposes.

These financial instruments are carried at fair value on the Statement of Net Assets Available for Benefits as part of general investments. Net investment income on derivatives of \$65,977 in 2007 and \$(657,238) in 2006 are recognized currently and recorded in the Statement of Changes in Net Assets Available for Benefits.

NOTE 10. COMMITTED CASH

The Plan has entered into investment arrangements with various limited partnerships. As of December 31, 2007, the Plan has approximately \$3,584,000 in outstanding capital commitments to these partnerships.