

FINANCIAL REPORT

A. Maintaining Financial Sustainability

The university is currently undergoing exceptional challenges, facing both previously existing and newly emerged risks that require stringent attention at all levels. The MENA region is facing unprecedented strains and geopolitical changes that are casting a wide shadow on Lebanon.

Instability variables have become more complex and diversified, and include a poorly performing economy, deteriorating social and political conditions, and severe and tight competition mainly focused on a limited shrinking population, among others. Such factors, which the administration is constantly monitoring, require a new creative strategy that will allow LAU to endure in the prevailing circumstances and at the same time maintain financial sustainability through the optimization of resources, revenue diversification, and new business development, etc.

B. The Overall Picture

LAU's operational efficiency and effectiveness continued to contribute favorably to its financial stability. Despite the growth in liabilities, debt ratios remained well below industry averages. The university's assets flourished and touched the \$1 billion stratum. Our net assets grew by approximately 5 percent, reaching \$853 million on August 31, 2016. Our operating budget for the academic year 2016-2017 stands at \$178 million, an increase of about 5 percent from the previous year.

LAU's finance department actively follows fundamental indicators and continually explores ways to further improve LAU's financial standing. The department does so while working closely with key university constituents and making sure that the implementation of university plans proceeds in tandem with the maintenance of healthy cash flows and financial stability.

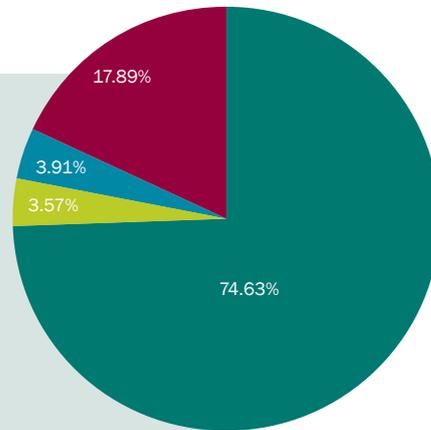
As of August 31, 2016, LAU's investment portfolio scored high and closed at around \$435 million, or a gain of 8.9 percent. The investment committee, finance and investment offices, and investment consultants continue to focus on winning strategies while monitoring diligently the endowment portfolio, assessing market conditions, and building a strategic asset allocation mix and robust manager selection processes.

As part of its oversight of LAU's financial resources, the Board of Trustees approved in September 2016 a revised five-year financial plan that aims at maintaining efficiency and positive cash flows in the annual operating budget, growing the endowment at an acceptable pace, and securing the resources necessary for the execution of LAU's capital plan (estimated at \$333 million over a five-year period).

Our operating budget for the academic year 2015-2016 stands at \$168 million, an increase of about 5 percent from the previous year. Despite the Board of Trustees' decision to approve additional financial aid for the 2016-2017 fiscal year, our commitment to support the many initiatives and projects currently in place toward strengthening our levels of academic excellence remains unchanged.

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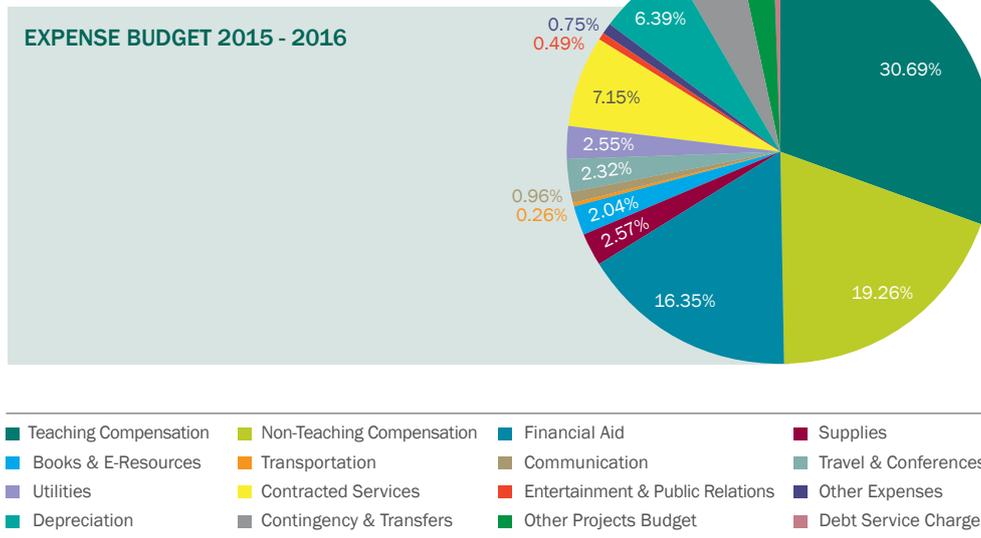
REVENUE BUDGET 2015 - 2016



■ Tuition ■ Endowment income ■ Other revenue ■ Developmental goals

Revenue Budget for 2015/2016	US Dollars
Tuition	125,348,461
Endowment income	6,000,000
Other revenue	6,565,507
Developmental goals	30,037,883
Total	167,951,851





Expense Budget for 2015/2016	US Dollars
Teaching Compensation	51,557,036
Non-Teaching Compensation	32,353,137
Financial Aid	27,463,860
Supplies	4,327,548
Books & Electronic Resources	3,433,148
Transportation	432,155
Communication	1,604,093
Travel & Conferences	3,888,990
Utilities	4,275,166
Contracted Services	12,003,107
Entertainment & Public Relations	815,663
Other Expenses	1,251,568
Depreciation	10,738,955
Contingency & Transfers	8,500,000
Other Projects Budget	4,412,425
Debt Service Charges	895,000
Total	167,951,851