

FINANCIAL REPORT

A. Prioritizing Stability

Regionally, adverse political conditions prevail, with no clear prospects of stabilization in the near future. The impact on Lebanon, whether direct or indirect, is unfavorable and brings with it rigorous challenges as well as existing and newly emerging risks at an unprecedented pace and in different formats. Instability variables are becoming more and more complex and are intensifying rapidly, negatively affecting the social fabric of Lebanon.

While competition in the education sector is getting fiercer by the day, awareness among Lebanese families concerning the need to invest in the education of their children is improving, although not to a fully-satisfactory extent. The concept of value for money is spreading as a result of the negative market reaction to students graduating from second- and third-tier universities and this, to say the least, is reflecting favorably on first-tier universities. The perception of LAU as a financially exclusive university is slowly changing, as Lebanese families have begun to think of LAU as accessible to students coming from all walks of life. We are still in the first phases of this image shift but are hopeful of positive outcomes.

In light of the surrounding adverse conditions, maintaining the balance between revenue and spending streams stands as the biggest challenge. Notwithstanding these circumstances, LAU remains relentless in its endeavors to further solidify its financial standing. The university's expansion is in full force and continuing per the set plans and timelines. Among other milestones, the renovation of the LAU Medical Center-Rizk Hospital is successfully underway.

Facing the above-described factors is not an easy task. Nonetheless, the dynamic and creative strategic approach adopted by the administration, coupled with a tenacious perseverance to forge ahead and never retreat, has made all the achievements listed in this report feasible.

B. The Overall Picture

LAU's operational efficiency and effectiveness continued to contribute favorably to its financial stability. Total assets flourished and crossed the \$1 billion threshold. Net assets grew by approximately 10 percent, reaching \$940 million on August 31, 2017.

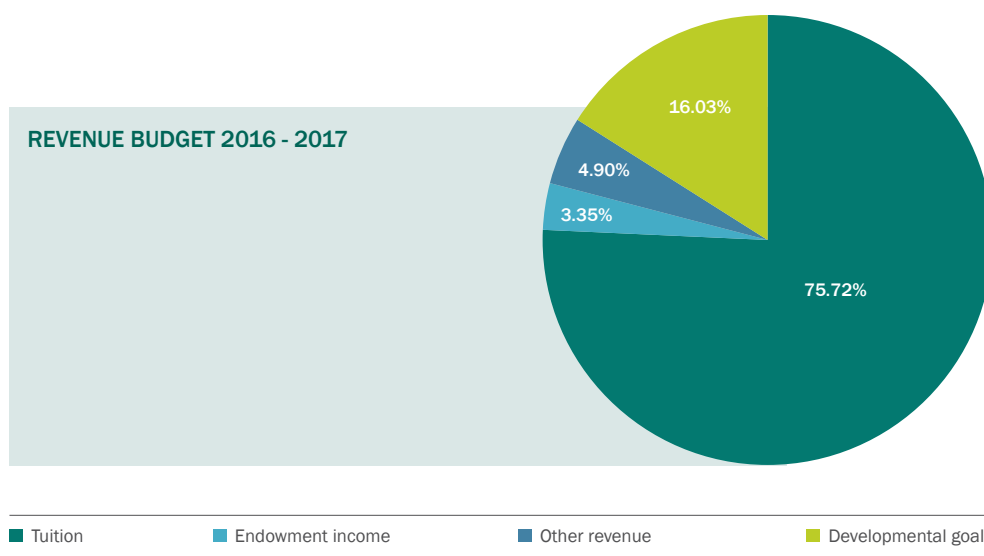
LAU's finance department actively follows fundamental indicators and continually explores ways to further improve the university's financial standing. The department does so while working closely with key LAU constituents and making sure that the implementation of university plans proceeds in tandem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

As of August 31, 2017, LAU's investment portfolio scored high and closed at around \$492 million, a gain of 13 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 March 2017 a revised five-year financial plan that aims at maintaining efficiency and positive cash flows in the annual operating budget, boosting the endowment at an acceptable pace, and securing the resources necessary for the execution of the university and LAU Medical Center-Rizk Hospital capital plans.

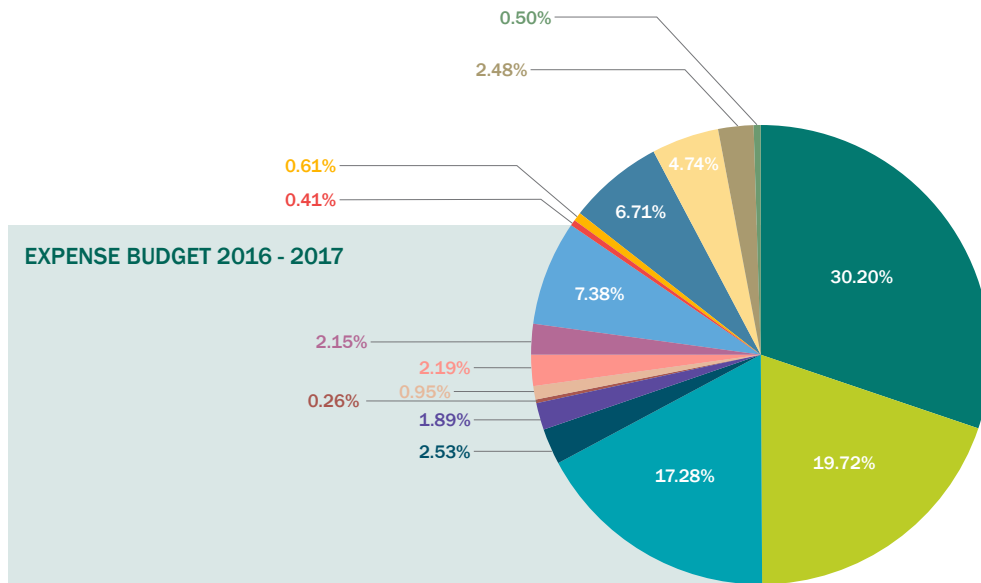
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Our operating budget for the academic year 2017-2018 stands at \$188 million, an increase of about 5 percent from the previous year. Our commitment to our students is incontestable, as is evident from the steep increase in our aid programs and investment. Nearly half the university's students are receiving some form of financial aid. Our commitment to supporting the many initiatives and projects currently in place — all aimed toward strengthening our levels of academic excellence — remains unchanged.



Revenue Budget for 2016 - 2017	US Dollars
Tuition	135,680,185
Endowment income	6,000,000
Other revenue	8,786,850
Developmental goals	28,718,624
Total	179,185,659





Teaching Compensation	Non-Teaching Compensation	Financial Aid	Supplies
Books & E-Resources	Transportation	Communication	Travel & Conferences
Utilities	Contracted Services	Entertainment & Public Relations	Other Expenses
Depreciation	Contingency & Transfers	Other Projects Budget	Debt Service Charges

Expense Budget for 2016 - 2017	US Dollars
Teaching Compensation	54,107,135
Non-Teaching Compensation	35,315,845
Financial Aid	30,957,180
Supplies	4,540,296
Books & Electronic Resources	3,393,560
Transportation	464,195
Communication	1,693,405
Travel & Conferences	3,926,100
Utilities	3,858,670
Contracted Services	13,216,409
Entertainment & Public Relations	737,563
Other Expenses	1,100,526
Depreciation	12,027,715
Contingency & Transfers	8,500,000
Other Projects Budget	4,452,060
Debt Service Charges	895,000
Total	179,185,659