Righteousness exalts a nation.
But sin is a disgrace to any people.

—Proverbs 14:34

We have no government armed with power of contending with human passions unbridled by morality and religion. Avarice, ambition, revenge, or gallantry, would break the strongest cords of our Constitution as a whale goes through a net. Our Constitution is made only for a moral and religious people. It is wholly inadequate to the government of any other.

—John Adams, 1798
I am grateful for our free country and our forefathers of Colonial Days who framed the Constitution of the United States, which I believe is the greatest document ever written (except the Bible). It recognizes our God-given right to Life, Liberty, and the Pursuit of Happiness, and it undertakes to protect us in the exercise of such rights by laws made pursuant to the Constitution; and I am also grateful to the stalwart Americans who have defended and protected the Constitution through all the life of the Republic.

—George Pepperdine, c. 1961

We believe that the source of any goodness in our nation is not human philosophy or rationalism, but rather is the God of truth and goodness. That is the basis for our understanding of education. And if those values are stripped away, Pepperdine becomes merely a directionless university wandering in the wilderness of relativism.

—Andrew K. Benton, 2003
The academic year 2002-2003 has been an extraordinary one for Pepperdine. The fact is, the University is experiencing so many successes in recent years that the “extraordinary” threatens to become “ordinary!”

A Message from the Chairman

Certainly, one of the highlights of the year has been the completion, ahead of schedule, of the Drescher Graduate Campus at Malibu. Although there are important construction and remodeling projects remaining, the new campus represents the final phase of the build-out of the Malibu master plan, which has been on the drawing board for more than twenty-five years. In addition to its beauty and functionality, the new campus is one of the most technologically advanced in the nation.

More subtle changes are taking place elsewhere. A major renovation and enhanced collection is underway at Payson Library, and other improvements are brightening the face of Pepperdine. In Buenos Aires, the beautiful Casa Holden now welcomes our international program students. A new graduate campus in Pasadena opened graduate programs to residents of the San Gabriel Valley. The Pepperdine Plaza, headquarters for the Graziadio School of Business and Management and the Graduate School of Education and Psychology, is nearly ready to move to a new and better location in West Los Angeles, adjacent to the San Diego (I-405) Freeway. And of course, academic initiatives and advancements, the real foundation of the University, are abundant.

On behalf of the Board of Regents, I want to commend the leadership of President Andrew K. Benton in assembling a capable team to construct the Drescher Graduate Campus in record time. Moreover, his management team, deans, and directors have made steady progress in academics, athletics, and other areas. The president has set a tone of civility and concern, of faithfulness and vision—a tone worthy of emulation.

I believe that Pepperdine has never been stronger administratively, academically, or fiscally. After sixty-six years of operation, we are on solid footing and are poised for even greater achievement and service. I am grateful to the Regents and to all those within and beyond the walls of academe who support this eternal cause known as Pepperdine University.

Thomas J. Trimble
Chairman, Board of Regents
Promises are important to our community. The promises we make today provide the foundation for the work we will do tomorrow. Faithfulness to our heritage ennobles and illuminates all that we do. I have not forgotten the promises I made in my inaugural address as I took office in the year 2000.

Since beginning this leadership opportunity, I continue to believe that our greatest challenges are contained in the areas of resources, diversity, heritage, community and scholarship. We have managed our resources well during this challenging period. We have increased our Instruction and Research budgets by 20.2 percent over the past three years, while holding tuition increases well below the national average. Our enrollments are strong and positioned at or above established benchmarks in each of the five schools.

We have increased our diversity, in part through increasing enrollment of minority students from 24.1 to 28.6 percent institution-wide and an even greater increase from 22.3 to 29.2 percent at Seaver College. In the last year alone we hired twenty-nine new faculty positions throughout the University. Of the full-time contracts issued, fifty percent were women and twenty-five percent were from minority populations.

Progress in community is hard to measure, but easily experienced. Speaking about it is important, and it has been a theme for me. We are trying to communicate better, with some work still to be done, obviously. But I know of few institutions of higher learning that speak of community as openly as we do, and mean it. When I read in a national survey recently that “apathy and lack of trust are significant barriers to meaningful faculty participation” and that “respect trumps resources,” I was reminded how important those issues are to our success.

Scholarship among our faculty is a source of growing pride. I also take particular pride in the accomplishments of our students and graduates. We see the proof of our work in them. Our new faculty complement our existing scholarly community well. And if by no other measurement than the quality of faculty and admitted students, we are keeping faith with our promises.
The centerpiece of the five points offered as a promise three years ago was heritage. Our University is unique for many reasons, but the constancy and centrality of our faith tradition is one of the most unique and important. James Bryant Conant once said, “He who enters a university, walks on hallowed ground.” This is hallowed ground because of the pervasive faith present here. When George Pepperdine established his college in 1937, he wanted to impact culture. Pepperdine, the man and the institution, has sought to influence culture and to place faith in God in the middle of a cultural crossroads.

In 1937, when Mr. Pepperdine was speaking with the first president, Batsell Baxter, about starting a college, Baxter asked, “Just what do you have in mind?” Mr. Pepperdine replied, “That’s the whole trouble, Dr. Baxter, I don’t know exactly what I want. I know one or two things I don’t want—I don’t want another college that will be dependent upon churches for support. I have in mind a four-year, liberal arts college, an institution of higher learning where any worthy boy or girl, regardless of his [or her] religion, or financial standing, can get an education. And I want it to be a college [that is] academically sound, based in Christian faith.” Then, he asked this question: “Is that too much to ask?”

About three years ago, I had the opportunity to be with William Sloan Coffin, formerly dean of the chapel at Yale. He posed a different question: “Where does the heart go for an education?” I hope the answer we all would resoundingly offer is, “Right here at Pepperdine.” We compete for the hearts and minds of men and women who want an education.

I think our heritage provides light, really good light, for learning. We illuminate lives with immutable truths and notions of oughtness and rightness. We ask no quarter in our competition with the finest, shining institutions of learning in America, and we offer the brilliance and the unique dimension of values in our classes. We invite the presence of God in the midst of all that we do: that, more than anything else, lights our way. So we respond to Mr. Pepperdine’s question: No, it is not too much to ask.

As much as I feel urgency about other things, I feel urgency about fidelity and constancy and stewardship in our heritage of faith. There is power in imagery, and there is power in words. Here are some of the most powerful words I’ve seen—our mission statement:

**Pepperdine is a Christian university dedicated to the highest standards of academic excellence and Christian values where students are strengthened for lives of purpose, service, and leadership.**

Andrew K. Benton
President
Strengthening our Heritage of Faith is one of five major emphases President Benton enumerated in his inaugural address three years ago. He has declared that those five goals are central to his tenure as president.

To some, a Heritage of Faith may not seem to be at the same level of importance as other goals, such as strengthening our resources, our diversity, our sense of community, or our emphasis on scholarship and culture. But all seven of Pepperdine’s presidents, in their day-to-day struggles, observed the providence of God in the affairs of this often-blessed University. Especially in retrospect, all of the University’s chief executives have seen the guiding hand of God, in much the same way that the founders of our nation all agreed that God was, indeed, involved in America’s struggle for liberty and independence.

A longtime English professor from Wellesley College, Miss Katherine Lee Bates, was lecturing at a summer session at Colorado College in 1893. In her notebook, she scribbled, “One day some of the other teachers and I decided to go on a trip to 14,000-foot Pikes Peak. We hired a prairie wagon. Near the top we had to leave the wagon and go the rest of the way on mules. I was very tired. But when I saw the view, I felt great joy. All the wonder of America seemed displayed there, with the sea-like expanse.”

There on Pikes Peak, Miss Bates captured the mood of the founders as she wrote in her notebook, “America! America! God shed His grace on thee, And crown thy good with brotherhood From sea to shining sea.”

We are deeply grateful for University founder George Pepperdine, who dreamed large and invested completely. We are grateful, too, for Blanche Ebert Seaver, a friend most dear and most generous, without whom we would not be where we are today. As each day dawns, the faculty and staff are thankful for the special place where they labor—a place provided by a whole host of people who, we believe, were sent to us by God.

Our mission statement affirms that “Pepperdine is a Christian university committed
to the highest standards of academic excellence and Christian values, where students are strengthened for lives of purpose, service, and leadership.” We believe that this is a university for just such a time as this. We are proud of our people and our achievements, and also proud that we have never forgotten our heritage of faith. It is both the path by which we have arrived at this point and the source of our confidence in the future. This report glances backward toward the “Spirit of the Past,” as we consider quotations from America’s founders concerning the national heritage of faith that guided them in the establishment of our nation. Then the report looks forward toward the “Wave of the Future,” as we consider Pepperdine alumni and others who are building upon a foundation of faith with accomplishments that improve the lives of thousands.

Our heritage as a university has deep underpinnings. It is a solid foundation of faith that includes the principles that directed our nation in the days leading up to the American Revolution. The nature of a foundation is that it does not—or should not—change. The structures built upon it may be modified or even rebuilt. But the foundation remains firm. Our nation embraces people of many different faiths. Nevertheless, the particular seeds of faith that produced our national heritage can be traced to the land of Abraham, Moses, and Jesus. From there, the growth of faith can be traced to Rome, Western Europe, and finally to Colonial America. Though we may at times forget it, America was born in revolution, with ideas of freedom based on assumptions . . . “certain inalienable rights.” Our founders were virtually unanimous in their belief that liberty is granted, not by government, but by God.

Today, we may be shocked by the straightforward references to God and faith that are found everywhere in the language of America’s founders. However, the patriots were only expressing what the majority of Americans believed. And the history of our nation following those monumental days of revolution—the vision, the courage, the struggle, the triumph—was grounded on faith in a divine plan.

“The God Who gave us life gave us liberty at the same time.”

—Thomas Jefferson
We may not have heard these words in many years, or perhaps ever. The quotations, from some of our greatest patriots, conjure up the “Spirit of the Past,” a spirit of faith and courage that forged our infant nation. The ideas contained in the quotations also motivated our founder, George Pepperdine, and our greatest benefactors.

**In his Farewell Address of September 17, 1796, President George Washington, the most respected American of the eighteenth century, said:** “Let us with caution indulge the supposition that morality can be maintained without religion. Whatever may be conceded to the influence of refined education on minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle.”

In 1798, the great patriot and second president of the United States, John Adams, noted: “We have no government armed with power of contending with human passions unbridled by morality and religion. Avarice, ambition, revenge, or gallantry, would break the strongest cords of our Constitution as a whale goes through a net. Our Constitution is made only for a moral and religious people. It is wholly inadequate to the government of any other.”

The brilliant author of the Declaration of Independence and third president of the United States, Thomas Jefferson, declared in 1774: “The God Who gave us life gave us liberty at the same time.” He also said: “And can the liberties of a nation be thought secure when we have removed their only firm basis, a conviction in the minds of the people that these liberties are the gift of God? That they are not violated but with his wrath?”

Dr. Benjamin Rush of Pennsylvania was a signer of the Declaration of Independence and reputed to be the single most learned man in the colonies. In 1798 he said:
“The only foundation for a useful education in a republic is to be laid in religion. Without it there can be no virtue, and without virtue there can be no liberty, and liberty is the object and life of all republican governments.”

The fourth president of the United States, James Madison, observed in 1785: “It is the duty of every man to render to the Creator such homage and such only as he believes to be acceptable to him. This duty is precedent, both in order of time and in degree of obligation, to the claims of Civil Society. Before any man can be considered as a member of Civil Society, he must be considered as a subject of the Governor of the Universe.”

When there seemed to be an impasse at the Constitutional Convention in 1787, it was the oldest delegate, 81-year-old Benjamin Franklin, who rose to suggest a day of prayer, remarking: “Our prayers, Sir, were heard, and they were graciously answered. All of us who were engaged in the struggle must have observed frequent instances of superintending providence in our favor. To that kind providence we owe this happy opportunity of consulting in peace on the means of establishing our future national felicity. And have we now forgotten that powerful friend? Or do we imagine that we no longer need his assistance? I have lived, Sir, a long time, and the longer I live, the more convincing proofs I see of this truth—that God governs in the affairs of men.”

It should be noted that the above quotations are not obscure or arcane references, but are typical of the thoughts and convictions of our founders. And it is evident from this small sampling of quotations that, if we were to remove references to God and faith from American history, our history would simply weaken and collapse.
That great, nineteenth century observer from across the Atlantic, Alexis de Tocqueville, noted:

“...I have already said enough to put Anglo-American civilization in its true light. It is the product (and one should continually bear in mind this point of departure) of two perfectly distinct elements which elsewhere have often been at war with one another but which in America it was somehow possible to incorporate into each other, forming a marvelous combination. I mean the spirit of religion and the spirit of freedom.”

As Tocqueville indicated, in America we see a “marvelous combination” of freedom and faith. Indeed, that is the solid rock, the foundation of Anglo-American civilization. To put it even stronger, Tocqueville seems to intentionally place the “spirit of religion” before the “spirit of freedom,” perhaps to indicate that, for Americans, freedom is actually drawn from faith. That was certainly the belief of John Adams and Thomas Jefferson and nearly every other patriot of the late eighteenth century.

But as important as that foundation of faith is, faith alone is not enough. Faith must generate courage, which in turn, must produce action. So, from the origins of our national faith far away on the eastern seaboard, we turn toward the West, toward the “Wave of the Future.”

Those original colonies, which became the thirteen states that are forever honored in the thirteen stripes of our flag, were only the cradle of our nation. The vast continent stretched westward, and a sense of destiny seemed to call and compel brave people toward the Pacific. We know them as trailblazers, scouts, pioneers, settlers. Above all, they were dreamers of a new world and they pressed on over hills, prairies, mountains, and desolate places. Until they reached the final edge of the frontier. Along that frontier, there is nothing that quite equals the dynamism of our City of Los Angeles. And that is where a young man from Kansas headed in the early part of the twentieth century. George Pepperdine moved to California to expand his Western Auto Supply Company. And in 1937 he created a different kind of college, a new kind of dream in the City of Angels.
Following are glimpses of Pepperdine alumni and students whose lives are improving our nation and the world.

*Faith must fuel the future.*

Because without faith, it is very possible that the future will falter, and we will become victims rather than victors of our circumstances.
In his founding address of September 21, 1937, George Pepperdine said, “I am endowing this institution to help young men and women to prepare themselves for a life of usefulness in this competitive world and to help them build a foundation of Christian character and faith which will survive the storms of life.”

At age 14, Tara Lawrence began volunteering with the American Cancer Society in her native New Jersey. As she worked with little children afflicted with cancer, she discovered that one of the hardest things about the illness is the hair loss that accompanies therapy. She started a letter and telephone campaign, asking organizations to donate caps to the children. This grew into the Hats Off for Cancer organization, which was able to provide hats autographed by Barbara Walters, the cast of the “Today Show,” N’Sync, and other celebrities. Tara is now a senior at Pepperdine. She plans to edit a book of stories and poems written by children with cancer and use the royalties to open a summer camp for cancer patients.

Hollie Packman earned her master’s degree from Pepperdine in 1997. She and her husband, Daniel, began helping homeless people in an unlikely place—Malibu. They soon were acquainted with a half-dozen, then a dozen people who wanted only a second chance at life. As the group grew, an organization was formed: S.O.S. Ministries. Through it, the homeless are offered food, assistance, and prayer. Hollie says the number one prayer request is for work. She and Daniel and those who have joined them are making a tremendous difference, creating a safe place where men and women can make a new start. In one corner of Malibu, hope burns brightly.

Ted Leenerts was a pilot in Vietnam, then a test pilot, and finally an aircraft commander for Alaska Airlines. But he felt a call to some higher purpose. In addition to his flying schedule, he became a chaplain for Alaska and later ministered to families who lost loved ones aboard Alaska Flight 261 that went down off the coast of Port Hueneme, California. Ted earned a master’s degree from Pepperdine to assist him in counseling. He was ordained as a pastor and took on the chaplaincy of the Newport Beach Police Department. After the devastation of September 11, 2001, he was among the first counselors at Ground Zero. Whether in the midst of death or soaring at 30,000 feet, Ted is a voice of compassion.

Jeremy Estrada grew up as a gang member in East L.A. At age 12, his best friend died in his arms of stab wounds. In and out of detention facilities, by 18 he had seen more hatred and violence than anyone should ever see. After being arrested on a weapons violation, he was sentenced to a behavior modification high school—and something finally clicked. “I always knew there was a God,” Jeremy says, “and as I looked at the beautiful mountains, I was reawakened to His power.” Jeremy entered college, transferred to Pepperdine, and graduated in 2002. Today he’s a husband, a father, a Marathon athlete, and a mentor for at-risk teens. He says, “Education, rather than violence, is now my passion.”
Two months before the twin towers fell in New York, Pierre-Richard Prosper was sworn in as ambassador-at-large for war crimes issues, a new position with the U.S. State Department. Before that he served as a war crimes prosecutor for the U.N. International Criminal Tribunal for Rwanda, Africa. He was the first prosecutor to win a guilty verdict on genocide charges in an international tribunal. Pierre-Richard, a 1989 graduate of the Pepperdine law school, said, “My education taught me that, no matter what, I should use my skills to help society. I must attribute this to Pepperdine, because I went into law school with a completely different perspective. [Because of what I learned at Pepperdine] I went into public service and did what I could in Rwanda.”

As valedictorian of the Pepperdine School of Law, class of 1999, Jill Jones Cucullu was courted by many prestigious law firms. But she turned her back on lucrative offers and chose instead to begin a work among the homeless in downtown Los Angeles. At the Union Rescue Mission, the largest homeless shelter in America, she launched Pepperdine’s Legal Aid Clinic to help men and women find their way back from legal disaster. Former homeless people who are participating in various rehabilitation programs are helped to clean up their financial, tax, and other legal problems. Another Pepperdine attorney has replaced her now, as Jill gave birth to her first baby. But she remains a selfless and inspiring pioneer.

In 1995, Tom Burnett completed his Pepperdine MBA at the Graziadio School. As senior vice president at Thoratec Corporation, he worked hard and was respected by his coworkers. After completing his MBA, Tom and his wife, Deena, began their family; and by September 11, 2001, they had three little girls. September 11 was the day of destiny when Tom Burnett and his fellow passengers aboard Flight 93 would resist the hijackers and interrupt their plan to destroy a vital target in Washington, D.C. Deena said of Tom, “He was a man of heartfelt compassion, deep convictions, love, and had a keen sense of right and wrong. He believed that morals and values were not debatable.”

In an alumni publication from January 1958, Mr. Pepperdine wrote, “I am counting on you, the alumni, to live long after I am gone and to continue the ever increasing and widening waves of good citizenship and Christian influence embodied in the ideals of our college.”

We believe the students and alumni of Pepperdine University have not failed our founder.

We have included quotations from America’s past that echoed from Philadelphia to Washington, from Boston to Richmond—words of affirmation and caution from patriots who forged a new nation. The faith that animated those heroes also inspired the explorers, the pioneers, and the builders of the nation that was taking shape. The vision of a free and unified nation soon spanned the broad, beautiful continent. Every American is deeply indebted to those who first envisioned our national freedom and all those who have been willing to spill their blood for it.

We also offered several stories of Pepperdine people who are accomplishing wonderful things and carrying the message and mission of faith into tomorrow. It is difficult to mention stories of the good things that are happening, because by necessity we must leave out many stories, and there are so many unsung heroes who serve silently, in anonymity.
The sun moves relentlessly from east to west—always westward. And from the first stirrings of liberty, there has been that sense of westward destiny, of inevitability of the shape of a free nation. The advancing frontier moved forward with the sun, following it to its place of setting.

The adventurers finally reached the last continental boundary, the Pacific Ocean. And today Los Angeles stands at the edge of the American frontier, a symbol of the achievements of our forebears. In our time, the emphasis is no longer on the expansion of territories or the taming of a continent. Instead, our current challenges include the improvement of our quality of life and the assurance of equal opportunity for every person.

It shouldn’t surprise us that George Pepperdine came west from his native Kansas. It shouldn’t surprise us that his fortune, the fortune he gave to establishing his college, came from the latest technology of his time—the automobile. Mr. Pepperdine was not unlike thousands of others who sought their fortune in the fabled land beyond the mountains and by the shining sea.

For a hundred years and more, California’s opportunities have been rising, as the Golden State continues to move upward in economic stature and in prominence in the nation and the world. It is now the most populous state in the union, with an economy that ranks as fifth in the world.

Pepperdine University is a California university, reflecting all the vitality and dynamism of the state. At the same time, it is a world-class institution, with campuses in several countries and influence that spans the globe. Pepperdine has international impact.

For many decades now, Los Angeles has been the place where visions of new and brighter tomorrows have been nurtured. When people want to know what the future holds in store, they come here to observe the latest ideas, the next trends, the new generation of innovation. Both Pepperdine and the city of Los Angeles are built on a solid foundation. Our civil heritage includes faith and courage, not only that which was brought west from the original colonies, but also that which was brought north from one mission to the next by those intrepid, brown-robed padres. The people who changed Los Angeles from a tiny pueblo into a major city were individuals whose confidence came from a belief in divine providence.

The fortunes of Pepperdine and Los Angeles seem to have been intertwined in many ways. The L.A. Unified School District has for many decades depended on Pepperdine to supply it with teachers and administrators. And Pepperdine continues to educate mid-career professionals from the city. When people search for cutting-edge concepts, when they seek to examine a microcosm of the world, they choose this city of innovation and this dynamic university. Both the University and the city always seem to be in a race with itself, striving to catch up with its own energy and progress. And both the University and the city struggle to keep up with the new dreams that are being born daily.
As a lifelong member of the Churches of Christ, George Pepperdine thought about impacting culture through the college he was going to found. And he knew that Los Angeles was the perfect place to locate such an institution. In a 1925 radio broadcast, twelve years before the beginning of the college, he prophetically said this:

"Good evening radio friends. The things I am going to say to you tonight about the future destiny of California and the Pacific Coast States may at first sound like wild speculation, but if you will bear with me for just a few moments, I will state my case briefly and give my reasons for such conclusions.

If it were possible for us to look into the future and clearly see actual conditions and happenings of a few generations hence, I believe we would visualize in California a great agricultural, manufacturing and industrial center with several times its present population.

Right here we shall some day see the heart and center of human activity . . .

Right here we shall some day see the ultimate accomplishments in education . . .

Right here we shall some day see . . . the entire commercial universe vibrating in response to our activities and with every nation on earth paying financial tribute.

Right here, my friends, we shall some day see Los Angeles the greatest city of the greatest country, the real, ‘Heart of the World.’

It is extraordinary how accurate Mr. Pepperdine’s predictions were, even before he had decided what contributions he, himself, would make to the future of the region. He said, “Right here we shall some day see the ultimate accomplishments in education . . .” For this devout, unassuming businessman, a “Christian university committed to the highest standards of academic excellence and Christian values” would one day be the “ultimate accomplishment in education” for him.

By institutional standards, Pepperdine has a short history. But the achievements of the University are remarkable. As a youngsters, it has demonstrated tremendous energy, excellence, and leadership. But this is only the beginning.

Pepperdine University looks to the future with faith and confidence. In the long sweep of history, we may be relative newcomers. But our time has come for even greater things.
The Heritage Continues

Graduate School of Education and Psychology

School of Public Policy
Perhaps the highlight of the year for Pepperdine University was the completion, ahead of schedule, of the Drescher Graduate Campus, which opened for classes in August 2003. Entering and returning students found state-of-the-art classrooms and bright new facilities to greet them in the fall, along with stunning seascapes and dramatic landscapes. The campus features balconies, plazas, dining facilities, and beautiful open spaces, framed by giant palm trees, planters, boulders, and special paving appointments. This is the largest build-out of the original campus master plan since the central Seaver College campus was constructed in 1971-72.
The Drescher Graduate Campus in Malibu

The Drescher Graduate Campus comprises 50.4 acres and boasts 96,000 square feet of facility space. The campus includes residences for 300 married and graduate students and 56 faculty-staff residences. A parking structure and parking lots accommodate 560 vehicles on the new campus. The campus was designed by the architectural firm of Neptune Thomas Davis.

Several major facilities are included in the academic complex. The Beckman Management Center houses the Graziadio School of Business and Management. The Braun Center houses the School of Public Policy. And a center that will be named in honor of Norvel and Helen Young houses the Graduate School of Education and Psychology and the Center for the Family. In addition, the George L. Graziadio Executive Center, with fifty guest rooms, conference rooms, and dining room, is now ready to meet the conference needs of various corporate groups and academic activities. Finally, a building housing the library and the Learning Technology Center provides important support facilities for the campus.

With the opening in October 2002 of the new Center for Communication and Business, Pepperdine now boasts one of Southern California’s most technologically advanced educational facilities. The new center is home to the two largest undergraduate divisions within Seaver College and serves nearly all of the University’s undergraduate students. It contains more than sixty view offices and sixteen hi-tech classrooms. Other residents include the Department of Public Safety, The Graphic student newspaper, the telecommunication production studio, and the radio station.

In 2003 the Graziadio School expanded its class offerings with a new graduate campus in Pasadena. The response of the San Gabriel Valley communities has been positive, and the space will be increased in January 2004. A new ethics certificate program was first offered to the business community at the Pasadena campus.

In an effort to meet the growing needs of its graduate and undergraduate students and faculty, Pepperdine announced the relocation of the headquarters for the Graziadio School of Business and Management and the Graduate School of Education and Psychology to the new 112,466-square-foot West Los Angeles Graduate Campus at the Howard Hughes Center, near LAX. The move will be completed in time for the start of classes in January 2004.

All five schools that comprise Pepperdine University met or surpassed their enrollment goals. Moreover, because of increased applications numbers, the schools were able to be more selective, resulting in some of the best qualified incoming classes in Pepperdine...
The Heroes Garden on the Drescher Graduate Campus is a serene place with a panoramic view that pays tribute to America’s heroes of September 11, 2001, and all those who live heroic lives.

history. In addition to incoming students with high test scores and good experience, the diversity of the classes this year is broader than ever before.

The University was again ranked in the top quartile among 248 “national universities—doctoral” in the 2004 edition of the *US News & World Report* annual rankings. For the past several years, the University has taken its place among the nation’s most respected and honored universities. Pepperdine was also named one of the Top 100 U.S. Colleges and Universities for entrepreneurs in the April 2003 issue of *Entrepreneur* magazine. Out of over 700 entrepreneurship programs evaluated, Pepperdine was recognized as being among the best.

Pepperdine’s *Graziadio School of Business and Management* was ranked in the Top 25 by *US News & World Report* for its fully employed MBA and Executive MBA programs. The report also ranked the Graziadio School, over all, among the best business schools in the nation.

**People**

President Benton has referred to Pepperdine as “the answering place,” a place where sincere minds come to find answers to many of life’s most difficult questions and to gain the knowledge and experience that will serve them for the rest of their lives. To keep Pepperdine on the edge of what is current and vital, the faculty conducts research and keeps abreast of advancements in their fields of expertise. In addition, every year new faculty members are sought who can expand our regular course offerings with new thought and unique experience. This year the University welcomed more than thirty new or returning former faculty members. The following is offered as highlights of some of the new people at Pepperdine and also some of the achievements of present faculty.

At the School of Law, **Doug Kmiec** rejoins the faculty after two years as dean of Catholic University School of Law. He holds the Caruso Family Chair in Law, and his area of expertise is constitutional law. **David Davenport**, sixth president of Pepperdine University, joins us from the Hoover Institution. He will teach in the law school and also serve as distinguished professor of Public Policy and Law at the School of Public Policy.

Also at the School of Public Policy, **Angela Hawken** comes to us with a Ph.D. from Rand Graduate School. Choosing Pepperdine over other prestigious institutions, Professor Hawken will teach statistics and research methods, and has a special interest in the economic impact of AIDS in Africa and Russia. Bruce Herschensohn has begun a new relationship with the School of Public Policy, serving as a senior fellow of public policy after several years of service in teaching and advising capacities.

The Graduate School of Education and Psychology welcomed **Eugene Kim** as a professor of education. Professor Kim has studied teachers’ values in China and compares his studies with similar work in the United States. **Gerardo Canul** joined the psychology division of GSEP as a professor of cross-cultural psychology. Professor Canul received his Ph.D. from Washington State University.
The Graziadio School of Business and Management welcomed Karen E. Schnietz as assistant professor of management. She received her Ph.D. from the University of California at Berkeley and was assistant professor at the Jones Graduate School of Management at Rice University. Gwendolyn Whitfield joined the Graziadio School as an associate professor of strategy. She earned her Ph.D. from Western Michigan University.

Sharon Clarke was among the new faculty welcomed to Seaver College. She is assistant professor of mathematics and comes to us with a Ph.D. from the University of Iowa. After a distinguished career at University of Illinois at Chicago, Don Marshall assumes the Fletcher Jones Chair of Great Books.

Israel Rodriguez, director of Hispanic Affairs at Seaver was selected to serve on the board of the Region I Homeland Security Advisory Council (H-SAC). The mission of H-SAC is to provide direct interaction among senior executives from industry and the community with law enforcement and public safety services in support of homeland security, civil protection, and critical infrastructure protection.

Seaver College Alumni Career Program Manager Greta Couper was the recipient of three awards in Alumni Relations and Career Services at the Council for Advancement and Support of Education 2002 District VII Conference in Anaheim, California.

Executive Vice Chancellor Larry Hornbaker retired in December 2002 after serving the University for more than thirty-three years. He arrived at Pepperdine in 1969 shortly before the initiative for the Malibu campus was begun. He was an important part of the effort to raise funds for the building of the campus.

At the Annual Faculty Staff Appreciation Dinner on April 5, 2003, the “Employee of the Year” award was given to John E. Baker, communications facilitator at GSEP in West Los Angeles. He has staffed the front desk at GSEP for twelve years, during which time he has provided administrative support with a smile and a consistent willingness to help.

James Q. Wilson, author of several influential works on the nature of human morality, government, and criminal justice issues, received the Presidential Medal of Freedom from President George W. Bush in a White House ceremony on July 23, 2003. The award is the nation’s highest civil honor. Wilson currently serves as the Ronald Reagan Professor of Public Policy at Pepperdine’s School of Public Policy. He has enjoyed a long career in public policy and has held professorships at both Harvard and UCLA.

In March, the Honorable Sam Alito, judge for the United States Court of Appeals, Third Circuit, was the distinguished jurist-in-residence at the School of Law. He lectured in several classes on topics including “Domestic Response to Terrorism and the Constitution” and “How Judges Make Decisions and What Influences Them.”
Events

The Conrad N. Hilton Foundation funded a $100,000 program directed by Cary Mitchell, associate professor of psychology at GSEP. GSEP will match the gift with funds raised from outside sources. The grant allows Pepperdine to continue its innovative mental health training clinic at the Union Rescue Mission (URM) in Los Angeles, where, since 2001, psychology students have provided psychological services to homeless men, women, and children in Los Angeles at no cost. The new grant makes it possible to add a new aspect as the URM mental health clinic partners with URM’s Legal Aid Clinic, which is run by the Pepperdine School of Law. They plan to provide psychological and educational services to families that are dealing with child visitation, child custody, or other family legal issues.

The Seaver College debate team exploded onto the 2002 debate season with two successful tournaments and was ranked number one in the nation in October 2002. Later that month, the team hosted the Fifth Annual Ray Buchanan Invitational Debates at Pepperdine, one of the top ten debate tournaments of the year.

The School of Law and the School of Public Policy presented the Fifth Annual Charles and Rosemary Licata Lecture in October 2002. The theme was “The International Criminal Court: A New Diplomacy?” a discussion with Pierre-Richard Prosper, U.S. ambassador-at-large for war crimes issues, and David Davenport, former Pepperdine president who at the time was a research fellow at Hoover Institution.

Honduran poet Roberto Sosa read from a bilingual edition of his work in November 2002 at Seaver College. The readings and discussions were in English and Spanish. Sosa, a major figure in recent Honduran literature, writes about a number of topics, but a consistent theme in his poetry is social justice. Sosa’s Pepperdine reading was his only West Coast appearance.

The School of Law trial advocacy team earned its first national championship title by winning the nation’s most prestigious mock trial competition. Pepperdine defeated second-seeded University of Texas in the Tournament of Champions in November 2002. The National Institute for Trial Advocacy, widely regarded as the best trial lawyer training program in the country, sponsors the event every year. Pepperdine will host the tournament in 2004.

Pepperdine students and faculty traveled to Las Vegas, Nevada, in January to attend the American Humanics Management Institute. American Humanics is a national alliance of colleges, universities, and nonprofit organizations that prepares and certifies college students for professional careers in youth and human service agencies. Representing Pepperdine at the conference were Executive Director Regan Schaffer and five Seaver students.
On February 10 as part of the 2003 Seaver College Dean’s Lecture Series, Pitzer College President Laura Skandera Trombley discussed “Why Mark Twain Still Matters: American Icon, Classic Writer and Film Star.” Trombley received her undergraduate and master’s degrees (1981, 1983) in English from Pepperdine University. She became president of Pitzer College in Claremont, California, in 2002 and is a nationally recognized Mark Twain scholar.

A major conference, “Religion and Public Virtue,” sponsored by the Pepperdine University Center for Faith and Learning, with support from the University Provost, Seaver College, and the Pepperdine School of Law, was held March 6-7 on the Malibu campus. The five distinguished scholars who served as plenary speakers for this event were: Robert N. Bellah, Jean Bethke Elshtain, Michael W. McConnell, Richard Mouw, and James Davison Hunter.

From January 11 through March 23, 2003, the Frederick R. Weisman Museum of Art presented an important new exhibition, Wayne Thiebaud: Works from 1955 to 2003. Thiebaud, one of California’s most respected and beloved realist artists, earned a national reputation in 1962 with his Pop Art paintings of pies and cakes, lipsticks and lollipops.

In January 2003, the School of Public Policy presented “Blue Environmentalism” by Michael Novak, the 2002 Olin Professor of Public Policy at Pepperdine and the George Frederick Jewett Scholar at the American Enterprise Institute. Novak’s teaching career began as a teaching fellow at Harvard. He has taught at Stanford, College at SUNY Old Westbury, Syracuse University, and Notre Dame.

Four hundred law students, alumni, and friends gathered at the annual School of Law dinner on March 1, to celebrate the school’s twenty-five years on the Malibu campus. The Honorable Carlos R. Moreno, associate justice of the California Supreme Court, was the keynote speaker. The Legal Hero Award was given to Judge Warren J. Ferguson, United States Court of Appeals, Ninth Circuit.

At the School of Law in April 2003, Ambassador Andrew Jacovides presented a discussion on the future of the United Nations in the aftermath of the diplomatic stalemate over intervention in Iraq. Jacovides is former ambassador of Cyprus to Washington, permanent representative of Cyprus to the United Nations, a member of International Law Commission of the United Nations, and special ambassador for the legal committee of the U.N.

The School of Law also sponsored a Global Judges Forum in May to forge international standards in the area of corporate insolvency and creditor rights. The conference attracted more than one hundred judges from sixty-five countries to the Malibu campus for a weeklong forum examining global standards and strategies governing business restructurings, insolvencies, corporate rescues, and creditors’ rights. It is thought to be among the largest gatherings of international judges of its kind in history and was co-sponsored by The World Bank. At least one-third of the participants sit on the highest courts in their respective countries.
GSEP welcomed the Honorable Rod Paige, United States Secretary of Education, as its commencement speaker in July 2003. Paige challenged the future educators in attendance to bridge the gap between the educated and uneducated, bringing quality education to all students.

Members of the Pepperdine community achieved 2002 election-day success in their respective political contests. School of Law alumnus Todd R. Platts (J ’91), a Republican from Pennsylvania, was elected to his second term in the U.S. House of Representatives. Law school alumnus Rod R. Blagojevich, (J ’83) is the first Democrat in thirty years to be elected governor of Illinois. Blagojevich was elected to the U.S. House of Representatives in 1996. Republican John Cornyn, longtime member of the School of Law Board of Visitors, was elected to the United States Senate, representing Texas.

The California Newspaper Publishers’ Association (CNPA) recently named The Graphic, Pepperdine’s weekly student newspaper, the best university newspaper in California. More than twenty newspapers from universities across the state entered the competition of general excellence for the division of four-year colleges and universities, according to CNPA.

Initiatives

GSEP implemented a research initiative that will provide $450,000 over the next three years to support new and ongoing faculty research. A database of the in-house clinic will be funded to provide data for scholarly activity among faculty and also opportunities for doctoral students to work with faculty in clinical research projects.

Seaver College began an initiative this year called “Greater Expectations.” This will include implementation of a new general education curriculum all the way to the Phi Beta Kappa application. A college honors program, led by Professor Dan Caldwell, will identify and prepare students to win national and international scholarship competitions.

The School of Law entered into an exchange program with the University of Copenhagen, Denmark, thereby expanding the offerings in international law programs. Future programs are on the horizon with the University of Augsburg, Germany, and with Universidad Peruana de Ciencias Aplicadas, in Lima, Peru.

The Graziadio School introduced an initiative to expand global impact by adding programs in Brazil and Argentina. The school now has a network of twenty-one partnerships with schools around the world, providing Graziadio School students with even more opportunities for international study.

A $50,000 contribution was made by Paul Newman to the Christopher Parkening Endowed Chair in Classical Guitar at Seaver College recently. The gift came from the after-tax profits of Newman’s Own, the all-natural food company founded by Newman. The gift will help provide scholarship funds to support the University’s prestigious classical guitar program led by Parkening, a distinguished professor of music.
In 2002, the School of Law instituted a Master of Laws Degree in Dispute Resolution for lawyers, and the first class graduated in spring 2003. This is a terminal degree for lawyers and is taken after receiving a juris doctorate. Another degree, the Master's in Dispute Resolution, has been offered for several years and can be taken before the J.D.

Seaver College announced the 2003 Awards for Teaching Excellence in March. With the end of the Luckman Awards program in 2002, the Center for Teaching Excellence initiated a similar program with the same purpose: to recognize and reward outstanding teaching. The program annually provides five grants to faculty who have exemplified excellence in teaching in the classroom, tutoring, and advising.

Athletics

Pepperdine University experienced another strong effort by its athletics program during the 2002-03 academic year, highlighted by a single-season, record-tying nine teams advancing to NCAA Championship postseason play. Sports Illustrated ranked Pepperdine University 50 out of 324 Division I athletic programs in their “America’s Best Sports Colleges” list, October 2002, concluding, “Amazing success for a school of 3,000.”

The 2002-03 West Coast Conference (WCC) seasons culminated with Pepperdine claiming its second consecutive Commissioner’s Cup. The Commissioner’s Cup is an all-sports award presented at the end of each academic year to the league’s top performing school in conference play. The Waves also completed a sweep by winning the Men’s and Women’s All-Sports Award, recognizing athletic achievement within each gender.

Pepperdine teams captured WCC championships in seven sports: women’s basketball, men’s golf, women’s golf, women’s soccer, men’s tennis, women’s tennis, and women’s volleyball. In addition, the men’s volleyball and men’s water polo teams won their respective Mountain Pacific Sports Federation regular season titles.

The baseball, women’s basketball, and women’s soccer programs were joined by the men’s and women’s golf, tennis, and volleyball teams at the NCAA Championships. The women’s golf team earned a best-ever second place finish at the NCAA Championship conducted in May at Purdue. During the fall, the women’s soccer and women’s volleyball programs both recorded best-ever showings at their respective NCAA Championships. The women’s soccer team earned the No. 3 national seed and advanced to the third round while the women’s volleyball team advanced to the “Elite Eight” before losing to USC, the eventual NCAA champion.

Four of the program’s thirteen head coaches—Laurie Gibbs (women’s golf), Nina Matthies (women’s volleyball), Frank Sanchez (baseball), and Tim Ward (women’s soccer)—earned “Coach of the Year” honors. Gibbs was named the West Region “Co-Coach of the Year” by the National Golf Coaches Association. Matthies and Ward both earned West Region “Coach of the Year” accolades from the American Volleyball Coaches Association and the National Soccer Coaches Association of America, respectively. This was the second time Mathies has received this honor. Matthies, who was tabbed the WCC’s “Coach of the Year” for the eighth time in her career earlier this season, has guided the Waves into the regional semifinals for the fourth time in five years.
Eleven student-athletes earned All-American honors: **Diego Acuna** (men’s tennis), **Calle Hansen** (men’s tennis), **Katherine Hull** (women’s golf), **Brad Keenan** (men’s volleyball), **Karl Niehaus** (water polo), **Sean Rooney** (men’s volleyball), **Jesse Smith** (water polo), **Ashley Swanson** (women’s soccer), **Katie Wilkins** (women’s volleyball), **Fred Winters** (men’s volleyball), and **Lindsey Wright** (women’s golf).

Winning their respective sport’s “Player of the Year” award were **Kevin Estrada** (baseball), **Calle Hansen** (men’s tennis), **Carolina Llano** (women’s golf), **Tamara McDonald** (women’s basketball), **Michael Putnam** (men’s golf), and **Katie Wilkins** (women’s volleyball). **Katherine Hull** (women’s golf) was tabbed the National Golf Coaches Association “Player of the Year” and won the inaugural Dinah Shore Award. She was also selected the WCC’s “Co-Female Scholar-Athlete of the Year.” Hull is the first female athlete from Pepperdine to receive the honor, which recognizes the finest accomplishments in athletics, academics, and community service by individuals who have completed their eligibility.

In men’s basketball, sophomore guard **Terrance Johnson** and senior forward **Jimmy Miggins** were both named to the All-WCC first team in a vote conducted this spring by the league’s head coaches. Pepperdine rookie guard **Alex Acker** was selected the league’s “Freshman of the Year” and was an honorable mention All-WCC pick, along with senior forward **Boomer Brazzle**.

In women’s basketball, senior guard **Tamara McDonald** was named the WCC’s “Player of the Year” this March, and sophomore guard **Shanell Law** was selected to the all-conference team.

In April, Pepperdine cruised to its 13th consecutive WCC men’s tennis title. In women’s tennis, Pepperdine captured the WCC women’s tennis title.

Men’s head volleyball coach **Marv Dunphy** was formally honored as one of four coaches named to the U.S. Volleyball Association’s Men’s 1978-2002 All-Era Team. Dunphy was recognized by **USA Volleyball** at the Dorothy C. Boyce Annual Awards and Recognition Banquet in Minneapolis. The men’s volleyball team, under his coaching, secured the regular season WCC title and was the top seed for the league’s postseason tournament. Senior middle blocker **Brad Keenan**, sophomore outside hitter **Sean Rooney**, and junior outside hitter **Fred Winters** were each named to the All-Mountain Pacific Sports Federation first team. Brad Keenan was named **Volleyball Magazine**’s 2003 “Player of the Year,” while sophomore outside hitter Sean Rooney and junior outside hitter Fred Winters were tabbed All-Americans in July. All three players were also tabbed All-Americans by the American Volleyball Coaches Association.

The women’s golf team captured their fifth consecutive WCC title this spring. Freshman **Carolina Llano** claimed individual medalist honors. Senior All-American **Lindsey Wright**, the defending tournament champion, finished second, and senior **Katherine Hull** finished in a three-way tie for third place. Hull, a three-time All-American, is arguably the greatest women’s golfer in Waves’ history.

In men’s golf, Pepperdine won its fifth consecutive WCC title in April at the Riverbend Golf Course in Fresno.
Pepperdine University is composed of five operational divisions: academics; finance and administration; general counsel; planning, information, and technology; and advancement and public affairs. Each of the divisions plays an important part in the overall functioning of the University on a day-by-day basis. The core operation, of course, is academics, and the students are the heart of that enterprise. The other divisions surround and support the academic process.

It is the advancement team that is tasked with finding the funds for many of the things about which we are reporting in this document. Student tuitions never cover the full cost of providing an education to our students. The budget shortfall must be covered by generous donors who appreciate the work of the University. In addition, funds must be raised for construction and renovation projects, for research projects, and for the endowment. All of this is the responsibility of the advancement team under the leadership of Vice President for Advancement and Public Affairs Brad Cheves. The team, indeed the entire University, is indebted to our alumni and friends who give so freely to the students and the mission of Pepperdine.
I am very pleased to introduce the members of the administrative team, for those who may not have met them yet. They are a talented and dedicated group, and each member of the team epitomizes the spirit and heritage of Pepperdine University.

Chancellor Charles B. Runnels is the consummate friend-raiser for the University. His love for students is unexcelled and explains much of his great success in his more than thirty-five-year career at Pepperdine.

Vice president for Advancement and Public Affairs Brad E. Cheves is a graduate of the Pepperdine School of Law who has returned from an administrative role at SMU to a major role at the University. He is responsible for raising funds for the shortfall between income and expenses that is ever-present. He is also the senior public affairs officer.

Nancy Magnusson Durham, vice president for Planning, Information, and Technology, joined Pepperdine University in 1979. Nancy has served as a professor and administrator at Seaver College and as dean of the Graduate School of Education and Psychology, gaining valuable administration experience.

Gary A. Hanson, vice president and general counsel of Pepperdine, received his J.D. from the Pepperdine School of Law. He joined the legal staff in 1982 and has served as general counsel since 1984. Gary oversees the external relations, regulatory affairs, risk management and insurance, and equal employment opportunity operations of the University.
Charles J. (Jeff) Pippin is vice president for Finance and Administration. Jeff has served the University in several financial management roles since his arrival in 1981, including treasurer and chief financial officer. He received his M.B.A. from Pepperdine.

Darryl L. Tippens has served as the provost of Pepperdine since 2001. A highly regarded scholar, author, and essayist, Darryl spent fourteen years in teaching and administration at Oklahoma Christian University, later serving as the James W. Culp Professor of English at Abilene Christian University.

W. David Baird came to Seaver College in 1988. He has served as chair of the Humanities and Teacher Education Division, as a Fulbright Senior Lecturer in New Zealand, and as visiting professor for Seaver’s Heidelberg program. He has been dean of Seaver since 1998.

Linda A. Livingstone took over the deanship of the Graziadio School of Business and Management in 2002. She previously served as associate dean for graduate programs at the Hankamer School of Business at Baylor University in Texas.

Charles I. Nelson is interim dean of the Pepperdine School of Law. He came to Pepperdine in 1972 from private practice in Texas. He has served as associate dean and acting associate dean, and as director of the Overseas Program three times. Charles became interim dean in 2003.

Margaret J. Weber became dean of the Graduate School of Education and Psychology in 2001. She came to Pepperdine from Oklahoma State University, where she was associate dean of research and graduate studies at OSU’s college of Human and Environmental Sciences.

James R. Wilburn came to the University in 1970 and was involved in planning for the Malibu campus. He has served as professor of economic history, provost of the Los Angeles campus, and vice president for University Affairs. He became dean of the Graziadio School in 1982, retiring in 1994. He was called back to become founding dean of the School of Public Policy in 1996.

Andrew K. Benton
President
Pepperdine University finished fiscal 2003 on strong financial footings. For the first time in its history, the University’s total assets surpassed the $1 billion mark at the end of a fiscal year. The $21 million net increase from one year ago was due to continued strong operations in each of the University’s five schools, and improved investment results compared to fiscal 2002. Net assets increased $17 million during fiscal 2003 to $690 million, of which $509 million is unrestricted.

During fiscal 2003, the University neared completion of the Drescher Graduate Campus, which will be home to the residential programs of the University’s three graduate schools; the Graziadio School of Business and Management, the Graduate School of Education and Psychology, and the School of Public Policy. The Drescher Graduate Campus academic and executive center buildings opened in August of 2003 to positive reviews from students and faculty alike. The 300 bed student housing complex was completed in October of 2003, and the 56 faculty and staff residences are expected to be complete in early 2004.

During the course of the past three years, the University’s investment portfolio has been challenged by a period of volatility and negative returns in the capital markets. However, over this period our long-term diversified strategy, when combined with our five-year averaging of market values for endowment payout purposes, has worked well to protect the investment portfolio and to dampen the effect of volatile markets on operations. In fact, during fiscal 2003, total support from the endowment increased 11 percent to $20 million.

The University’s investment portfolio benefited from the general market recovery in fiscal 2003, generating total income and gains of approximately $36 million, or a 6 percent total annual return. These results compare very favorably to the 3 percent total return for the average endowment included in the Cambridge Associates survey for the fiscal year ending June 30, 2003. University funds functioning as endowment totaled $394 million at July 31, 2003, a 3 percent increase from one year ago.

The University has bridge-funded a significant portion of the Drescher Graduate Campus construction through the issue of taxable and tax-exempt bonds. As a result, the University’s long-term obligations totaled $209 million at the end of fiscal 2003. The University enjoys an “A1” credit rating from Moody’s Investors Service. We believe the University’s debt load is very manageable given the University’s solid reserve levels and strong ability to cover debt service from operating cash flow. The completion of the Drescher Graduate Campus allows us the opportunity to generate additional operating cash flow from increased student housing, expansion of our graduate programs, and new executive center operations that will help support the University’s debt service requirements.

University operations remained strong with net tuition and fee revenues increasing 10 percent to $137 million for fiscal 2003. This compares to 6 percent and 3 percent increases in the preceding two fiscal years. Maintaining a diversified enrollment base and enjoying an increasing reputation have strongly contributed to the University’s favorable market position. The University currently enrolls approximately 8,300 students in its five colleges and schools.
Total enrollment has increased by 6 percent over the past five years, with demand for each of the University’s degree programs continuing to increase, particularly at Seaver College and the Graduate School of Education and Psychology.

The University’s total operating expenses for fiscal 2003 increased 4 percent from last year to total $200 million. Although total expenses increased by 4 percent, operating expenses for instruction, research, academic support, and student services for fiscal 2003 increased 6 percent from last year and totaled $131 million. The University remains committed to providing the best possible academic experience for each of its students, and as such has concentrated its financial resources in this vital area. During fiscal 2003, spending on management and general expenses actually decreased by 5 percent or $2 million as compared to last year.

I am pleased to report that Pepperdine University has never been stronger financially, operationally, or strategically. We do not take these blessings for granted, and know that with the help of God, and the Pepperdine community of faculty, staff, students, alumni and friends, the future of Pepperdine University holds immeasurable promise.

Charles J. Pippin
Vice President for Finance and Administration
This financial information is summarized from the July 31, 2003, Consolidated Financial Statements of Pepperdine University, which have been audited by PricewaterhouseCoopers LLP. The statements were prepared in accordance with generally accepted accounting principles applicable to colleges and universities. A complete copy of the audited financial statements is available free of charge upon request from the office of the Controller.
# PEPPERDINE UNIVERSITY CONSOLIDATED STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JULY 31, 2003 (IN THOUSANDS)

## REVENUES

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student tuition and fees</td>
<td>$180,487</td>
<td>$ -</td>
<td>$ -</td>
<td>$180,487</td>
<td>$163,748</td>
</tr>
<tr>
<td>Less student aid</td>
<td>(43,715)</td>
<td>$ -</td>
<td>$ -</td>
<td>(43,715)</td>
<td>(39,561)</td>
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<tr>
<td>Net student tuition and fees</td>
<td>136,772</td>
<td>$ -</td>
<td>$ -</td>
<td>136,772</td>
<td>124,187</td>
</tr>
<tr>
<td>Room and board</td>
<td>18,548</td>
<td>$ -</td>
<td>$ -</td>
<td>18,548</td>
<td>16,990</td>
</tr>
<tr>
<td>Private gifts and grants</td>
<td>7,677</td>
<td>6,561</td>
<td>2,685</td>
<td>16,923</td>
<td>21,588</td>
</tr>
<tr>
<td>Endowment support</td>
<td>19,877</td>
<td>$ -</td>
<td>$ -</td>
<td>19,877</td>
<td>17,961</td>
</tr>
<tr>
<td>Government grants</td>
<td>3,104</td>
<td>$ -</td>
<td>$ -</td>
<td>3,104</td>
<td>2,876</td>
</tr>
<tr>
<td>Sales and services</td>
<td>7,773</td>
<td>$ -</td>
<td>$ -</td>
<td>7,773</td>
<td>7,943</td>
</tr>
<tr>
<td>Other revenue</td>
<td>4,782</td>
<td>233</td>
<td>36</td>
<td>5,051</td>
<td>6,253</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>13,267</td>
<td>(13,267)</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>211,800</td>
<td>(6,473)</td>
<td>2,721</td>
<td>208,048</td>
<td>197,798</td>
</tr>
</tbody>
</table>

## EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction and research</td>
<td>73,205</td>
<td>69,791</td>
</tr>
<tr>
<td>Academic support</td>
<td>28,022</td>
<td>24,598</td>
</tr>
<tr>
<td>Student services</td>
<td>29,564</td>
<td>29,054</td>
</tr>
<tr>
<td>Public service</td>
<td>8,422</td>
<td>7,558</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>14,078</td>
<td>12,496</td>
</tr>
<tr>
<td>Management and general</td>
<td>37,401</td>
<td>39,407</td>
</tr>
<tr>
<td>Membership development</td>
<td>1,399</td>
<td>1,087</td>
</tr>
<tr>
<td>Fundraising</td>
<td>8,077</td>
<td>7,903</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>200,168</td>
<td>191,894</td>
</tr>
</tbody>
</table>

## Change in net assets before non operating revenues and expenses

- **Unrestricted**: 11,632
- **Temporarily Restricted**: (6,473)
- **Permanently Restricted**: 2,721
- **2003**: 7,880
- **2002**: 5,904

## NON OPERATING REVENUES AND EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment of actuarial liability</td>
<td>-</td>
<td>371</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>2,165</td>
<td>2,242</td>
</tr>
<tr>
<td>Interest</td>
<td>3,756</td>
<td>4,647</td>
</tr>
<tr>
<td>Other</td>
<td>562</td>
<td>1,639</td>
</tr>
<tr>
<td><strong>Net realized and unrealized gains (losses) from investments</strong></td>
<td>24,815</td>
<td>(37,841)</td>
</tr>
<tr>
<td>Appropriations from endowment</td>
<td>(14,029)</td>
<td>(11,589)</td>
</tr>
<tr>
<td>Other</td>
<td>(7,088)</td>
<td>(2,216)</td>
</tr>
<tr>
<td><strong>Total non operating revenues and expenses</strong></td>
<td>9,025</td>
<td>(44,160)</td>
</tr>
</tbody>
</table>

## Change in net assets

- **Unrestricted**: 21,304
- **Temporarily Restricted**: (4,239)
- **Permanently Restricted**: (160)
- **2003**: 16,905
- **2002**: (38,265)

## Net assets at beginning of year

- **Unrestricted**: 487,579
- **Temporarily Restricted**: 62,278
- **Permanently Restricted**: 123,763
- **2003**: 673,620
- **2002**: 711,885

## Net assets at end of year

- **Unrestricted**: $508,883
- **Temporarily Restricted**: $58,039
- **Permanently Restricted**: $123,603
- **2003**: $690,525
- **2002**: $673,620
Pepperdine University
Board of Regents
2003-2004

Thomas J. Trimble
Chairman
Senior Vice President/General Counsel and Corporate Secretary (Retired)
Southwest Gas Corporation

Jose A. Collazo
Chairman of the Board, President, and Chief Executive Officer
Infonet Services Corporation

Jerry S. Cox
President
Cox & Perkins Exploration, Inc.

W. L. Fletcher III
Owner
Park Centre Properties, LLC

Matthew K. Fong
President
Strategic Advisory Group

George Foreman
Lynn C. Fritz
Director General
Fritz Institute

Linda M. Gage
Terry M. Giles
Owner
Giles Enterprises

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second row *(standing from left to right)*: Glen A. Holden, Linda M. Gage, Janice R. Brown, Hari N. Harilela, Susan F. Rice, Edwin L. Biggers, Carol Richards, Thomas P. Kemp, Andrew K. Benton

front row *(seated from left to right)*: Arthur G. Linkletter, Rosemary Raitt, Helen M. Young, Charles B. Runnels, Thomas J. Trimble, Marilyn D. Simpson, Virginia B. Braun, W. L. Fletcher III

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Pepperdine is a Christian university committed to the highest standards of academic excellence and Christian values, where students are strengthened for lives of purpose, service, and leadership.

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