“What life have you if you have not life together? There is no life that is not in community.”

— T.S. Eliot (1888-1965)
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.
MESSAGE FROM THE CHAIRMAN

It was my privilege in June of 2004 to be selected by the Pepperdine University Board of Regents as its seventh chairman. Obviously, I count it a great honor to occupy the position first filled by our founder, Mr. George Pepperdine. He was eventually followed by people whom I admire very much: Don Miller, Robert Jones, Lloyd Nelson, Tom Bost, and Tom Trimble. To stand in their shadow is a humbling, yet inspiring experience. Most, if not all, of these chairmen faced daunting challenges. And while there are many new vistas yet to be achieved, I am grateful for the heights to which the University has already risen.

Through the years, many of our University friends learned of Pepperdine and added their support, not because the University had “arrived” and established itself as a major national institution, but because it embraced foundational beliefs that nearly all universities had acknowledged at one point in their history. In addition, those faithful friends sensed that Pepperdine had a destiny, a powerful direction and purpose that others could not or would not pursue. The participation in this enterprise by our honored friends, many of whom are gone but not forgotten, has helped enormously in Pepperdine’s rise to prominence. And leading the way on this journey has been an amazing succession of presidents and chancellors.

Our current president, Andrew K. Benton, is now a seasoned chief executive, having led the University with distinction for four years. Before his selection as president, he had accumulated twenty-six years in higher education administration, sixteen of those years at Pepperdine. The extent of the University’s accomplishments this year, and for the past four years, along with the impact of President Benton’s leadership, will be evident as you read the pages of this report.

Working beside the president is Charles B. Runnels. It would be difficult to overestimate his influence on the advancement of Pepperdine since the late 1960s. First as vice chancellor, then as chancellor, he has been a leading connector with those friends who eventually came to our aid and made new buildings, new campuses, and new programs possible.

The stalwart educational crusader, Allan Bloom, said, “The real community of man...is the community of those who seek the truth, of the potential knowers.” Our emphasis in 2003-2004 has been on Pepperdine as a community, and, we might add in Bloom’s words, a “community of those who seek the truth.”

I am a part of this community because it does indeed seek the truth, whether in the world of science and hard facts or in the world of faith. Increasingly, as a scientist and engineer, I question those who dismiss the latter possibility and consider only the former, a world that can be measured with the instruments and logic that we ourselves have created.

Pepperdine University embraces an open universe, rather than a closed, materialistic one. And, it seems, the God who interjects Himself into the affairs of humans continues to bless this community of learning in astonishing ways. It is my prayer that God will continue to bless us in this endeavor as we strive to enable this community to experience lives with a deeper sense of purpose, service, and leadership.

Edwin L. Biggers
Chairman, Board of Regents
During the 2004 academic year, our annual theme was a reminder that Pepperdine is a “distinctive community,” a city set on a hill. It is, of course, a community: much of the University is self-contained, with its own residential population, its own public services, and its own entertainment, athletics, and social activities. It also has extensive outreaches to Los Angeles, Southern California, and locations around the world.

Most importantly, however, Pepperdine is a distinctive community because of its shared purposes and presuppositions—its mission. It does not exist to simply perpetuate itself or inflate its own importance. Instead, it is a community of scholars and professionals, intentionally drawn together to enrich and ennoble the larger national and international communities. One of our foremost goals is to convince students of the truth of Marian Wright Edelman’s statement, “Education is for improving the lives of others and for leaving your community and world better than you found it.”

It is rewarding to note that Pepperdine students, as they graduate and leave the institutional environment, take their places in their respective communities and make significant contributions to the welfare of those communities. We want our students to earn a good living, of course. But we hope they will, above all, live a good life. And that means participation in creating a better and safer tomorrow for all people.

As you read this annual report you may discover that Pepperdine is somehow always rushing into the future. It never pauses or stands still or runs in place as an institution. But even as it leaves a frothy wake of advancements and achievements, it stands firm against contemporary storms by mooring itself to timeless principles from ages past, principles that provide meaning, direction, and stability.

Pepperdine is a distinctive community in that it seeks to promote a civil manner in daily conversations and interactions among its people. It seeks to honor all members of the community, from those with the highest profile to those with the least. The University offers freedom to celebrate spirituality and express individual faith. It unapologetically fosters an atmosphere that is healthy and moral. It places character formation and ethical training at the center of its mission. And Pepperdine promotes service to humanity among its students, alumni, faculty, and staff.
There are always challenges that would have us compromise on those things that make Pepperdine distinctive. And there are, it seems, an equal number of challenges to our existence as a viable and vital community. The University has experienced steady growth through the years, from 167 students in its founding year, 1937, to more than 8,000 students today. And size certainly presents accompanying problems in regard to a sense of camaraderie and connectedness. In turn, larger numbers of students, faculty, and staff bring new people into the community who may be unclear concerning the Pepperdine culture and mission. Our desire for a more diverse community, with all the advantages that brings, also introduces a more heterogeneous atmosphere where consensus may be more difficult to achieve. In addition, as we become more mature as an institution, we move farther in time from our founder and his philosophy and intentions. These are some of the challenges we face daily as we seek community.

There are large communities that seem to share nothing more than proximity. The members of such communities are connected not so much by purpose as by location. But at Pepperdine, though we have community members scattered from Malibu to areas in and around Los Angeles and to several international locations, there is an intangible connection that links our people together in a special bond. If I were pressed to pinpoint that connection, I would say that it begins with the twenty-seven words of our mission statement, an ideal that convenes this distinctive community.

The following pages will further explain for you the remarkable sense of community that is our vision and our hope as an institution.

Andrew K. Benton
President
In his inaugural message of September 2000, Pepperdine University President Andrew K. Benton articulated five major goals that would be addressed simultaneously in the early years of his administration. The fourth of those goals was adopted as the annual theme for the 2003-2004 academic year. President Benton said, “We must be about the business of strengthening our sense of community.” He went on to suggest that the University should begin and continue a conversation about what its mission statement means for teaching and learning, for faith and purpose. He also suggested that a University strategic plan that embraces and implements the mission statement and the aspirations of the University’s five schools is an important step toward choosing the University’s own destiny.

Regarding that, President Benton said, “We must resist the demand that we choose to be either academically excellent or true to our faith. We must be both, or we will have failed.” This is a vital discussion because it has to do with the basic identity of Pepperdine. The University has the freedom to be self-determinate. It does not have to be identical to secular universities to be good, and it doesn’t have to be identical to other Christian universities to be faithful. “Pepperdine has the right and the mandate to be distinctive and to resist that which crowds us toward the middle—what I often refer to as the ‘great gray middle,'” said President Benton.

The University comprises individual scholars and professionals, with their own talents, experience, and dreams. But as they come together, the sum is greater than the collection of the parts. Together, Pepperdine people become a remarkable whole in which all individuals are lifted to new heights.

As the University began to consider the concept of community, a feature of the American landscape that is quickly disappearing came to mind. In past times, the heart and soul of each small community seemed to be focused on a park in the center of town, known as the “Town Square.” In the park was the city hall or perhaps the county courthouse. Often, there was a silent cannon dedicated to the veterans of a costly war.
There were benches where men and women gathered to exchange greetings and news. Nearby, there was grass or sand where children could play. And looking on was a statue or monument honoring a town founder—or a soldier from the community who never returned to his hometown. Surrounding the park were stores, banks, cafes, and churches. It was a place of local government, commerce, faith, and corporate memory. Its precedent can be found in the village greens and town centers of colonial America and in venerable villages of Europe and ancient marketplaces of communities around the world.

A few decades ago, the Town Square was all but abandoned as businesses moved from the town center to shopping malls and strip malls out on the Interstate or arterial highways. The desire for more room and more business was understandable, but over the years many citizens began to have a vague sense of loss. Somehow they knew that the community had become disconnected. The sparkling new commercial centers had left behind the local government, the houses of faith, and especially the corporate memory—the statues and monuments, the honor rolls of heroes, the real identity of the community.

Today, cities and towns are searching for ways to recreate that sense of community, and interestingly, they often are returning to the concept of the village green, the marketplace, the town square. But, whether for reasons of political correctness or simple embarrassment, the contemporary architects and developers often avoid the components of faith, patriotism, and corporate memory.

In the community known as Pepperdine University, there is a desire to purposefully perpetuate something like a Town Square, a gathering place to which the community can go to interact—a heart and soul, if you will. However, it is up to each member to build this distinctive community, by adding individual loyalty, hard work, personal excellence, and unselfishness to that of others. Every part of the community is not the same, but every part contributes to the whole.
There is a real sense in which the Pepperdine community is never complete. It is always in the process of becoming, as each student, each faculty and staff member, and each alumnus adds a dwelling place around the University’s Town Square. Bear in mind that Pepperdine’s Town Square is both tangible and intangible: there are concrete aspects as well as attitudinal and conceptual aspects to this distinctive community. In speaking of adding “dwelling places” to the Town Square, the emphasis is on philosophic and perhaps spiritual connections to the “heart and soul” of the University.

President Benton put the question to all of the University’s constituents, “What do you see in the future of Pepperdine? How will the University look in a year, or in five or ten years?” And he thought not simply of Pepperdine’s physical plants, of the campuses in Malibu and around the world. As the University grows, it changes in attitudes, in processes, in spirit. The president added, “It is up to us to decide what we will be in the future. What do we keep; what stays behind?”

As a discussion starter, the president suggested seven of his personal dreams for the future. It is not a comprehensive list, but simply a beginning place as ideas are solicited for discussion. Here is that list for your consideration:

1. **The vision of a faculty of national and even international distinction.** The University is well on its way in this dream, but it must redouble its efforts in identifying, recruiting, and retaining a world-class, increasingly diverse faculty, each with a genuine faith commitment. “Some say we are asking a lot, but I would like to prove to the world that we can celebrate faith and excellence at the same time and in the same place,” said President Benton. To support scholarship among both students and faculty members, the president’s desire is to continue to press forward with a significant strengthening of the University libraries.

2. **The vision of an unsurpassed level of student and alumni spirit.** This is of extreme importance. The University, as a community, must create coordinated programs to take students from a beginning campus tour or graduate campus meeting, through
enrollment and academic experiences, culminating in a proud and spirited alumni base that supports its alma mater. “I look forward to seeing alumni joining crowds of students at University events,” said the president, “alumni who will hire and mentor graduates and who will encourage their children to work hard in order to attend their alma mater.”

3. The vision of Pepperdine as a widely known international presence. The University already has strong international programs, some of the very best. But the dream is of more expansive programs, especially in the Pacific Rim. President Benton commented, “Boldly, I believe we can prepare students, undergraduate and graduate, to contribute on the world stage, working with governments and multinational corporations to make the world a better place.”

4. The vision of an increased commitment to faith and service. The University should foster an atmosphere that resonates excitement, where people generate ambitious projects that will improve the human condition throughout the nation and the world. Pepperdine already is attracting students with wonderful, creative ideas. Because of the nature of those students, our programs will address both spiritual and social needs of people, especially in underdeveloped nations. God is the God of the helpless, and if we serve Him, we will serve the helpless.

5. The vision of a long-range commitment to athletics and student recreation. Pepperdine’s athletic teams have functioned at an exceptional level for many years. Now the University must move to a level of support for athletics, both in enthusiasm and in funding, that will match their high level of performance. Support must be found to sustain top coaching, to build adequate sporting facilities, and to attract great student-athletes. President Benton added, “We also need to act with determination to offer our students recreation and intramural facilities to encourage health and fitness and to build community.”
6. The vision of reconstructing the center of Seaver College’s campus to create a gathering place for all students, faculty and staff, and visitors to the Malibu campus. This would be a project to “humanize” the plaza and stairway areas from Stauffer Chapel to Smothers Theatre and beyond, by introducing color and texture (or patina, as one expert called it), with many shaded as well as open spaces. As President Benton suggested, “Within the Malibu campus community, we need our own ‘Main Street.’” This would serve as a friendly “convening place,” like the Town Square of yesterday, a place to gather and “exchange greetings and news.”

7. The vision of a beautiful and functional University church. For several years, the vision of a church facility, high on the hills near the Drescher Graduate Campus, has been the dream of the few. Now it needs to become the vision of many. This is a church that will minister to the needs of all students, faculty, staff, and Malibu neighbors—and also serve the University as its largest lecture venue. “I see a daycare facility there for the children of Pepperdine families,” commented President Benton. “And I desire a place where people can find and then glorify God.”

Many of the above visions are not new, but simply restated and reemphasized. There may be others that ought to be considered, as well. It is tremendously exciting to think about the possibilities. As President Benton put it, “What about you? What are your dreams? How will you help this distinctive community become both good and true?”

The Pepperdine community is built of wonderful materials: not simply of steel and stucco, but also of honorable people with a strong sense of purpose, even destiny. The leadership of the University is convinced that there are generous people who believe in Pepperdine’s cause and who will rise to support what it sets out to do.

One thing is sure: while Pepperdine increases in academic stature, in the beauty and functionality of its campuses, and in spiritual and ethical commitment and work, it must strive even harder to maintain a sense of community. With the addition of every new person and every new program, the task of encouraging community becomes more difficult. But creating a sense of belonging is worth the effort and the price, as we convene people in Pepperdine’s Town Square.
ACCOMPLISHMENTS
OF A
Distinctive
Community
Looking up from a Malibu ocean bluff, the Drescher Graduate Campus flanks Seaver College high on the left, while the Phillips Theme Tower is on the right.
The past fiscal year was so eventful and successful that it is difficult to know where to begin in reporting it to our alumni and friends. It is tempting to first report on the financial and administrative achievements or the accomplishments in planning, information, and technology. But Pepperdine is centered in academics, and it seems most appropriate to begin in that key area.

ACADEMICS

This fiscal year witnessed long strides in the University’s library system, in support of research and scholarship. A new extension library for graduate study opened on the new Drescher Graduate Campus at Malibu. And with the move of the Graziadio School of Business and Management and the Graduate School of Education and Psychology to a new location in West Los Angeles, the extension library at that new facility is now open and expanded.

During the year, nearly $1 million in new books were added to the libraries. In addition, the libraries provided library and information instruction to nearly 3,000 students. Payson Library hours were expanded for students, from 96 to 110 hours per week.

A new dean of libraries was appointed on August 1 to lead an already strong library enrichment program, which had begun with President Benton’s inauguration four years ago. Mark Roosa brings almost two decades of expertise to his new role as dean of libraries at Pepperdine. For the past six years, Roosa was a director and chief at the Library of Congress in Washington, D.C., responsible for leading four divisions, two special programs, overseeing an $11 million budget, and coordinating key activities in three Capitol Hill locations, as well as multiple off-site facilities. He has also developed preservation, collection management, and access plans for such institutions as the Huntington Library, the Santa Monica Historical Society, and the Getty Center for Research in the Arts and Humanities.

In March 2003, the University’s Center for Faith and Learning hosted a conference on the theme, Religion and Public Virtue. Distinguished presenters included Robert N. Bellah, James Davison Hunter, Michael W. McConnell, and Richard Mouw.

Again Pepperdine University ranked in the top quartile of the nation’s universities in the recent U.S. News & World Report survey. However, Pepperdine received an even higher ranking—Number 27—from college-bound high school students nationwide in Project Connect 2003, a study released by Carnegie Communications. The “Carnegie rank” is significantly higher than that of U.S. News for several universities, including New York University, Boston College, and Georgetown University, in addition to Pepperdine.
A new teaching award was inaugurated in 2003-2004. The Howard A. White Award for Teaching Excellence is named for one of Pepperdine’s finest scholars and teachers, Dr. Howard White, the University’s fifth president. With total monetary awards of $27,000, the White Awards will help maintain the University’s attention to the critical area of successfully teaching students.

Pepperdine University received a Federal Wide Assurance designation for its protection of human research subjects, effective May 12, 2004. In order to receive this special approval, the Institutional Review Boards (IRB) were expanded so that all five schools at Pepperdine would have an IRB to report to, in compliance with federal law. These boards are faculty committees that review faculty/student research to ensure that human research subjects are properly protected. Also, standards for human subjects research were established and publications produced on the subject, such as *Protection of Human Participants in Research: Policies and Procedures Manual*.

Faculty have been expanding research activities during the past year, receiving funding from corporate, foundation, and government agencies totaling nearly $1 million. To mention only a few of the diverse projects receiving monetary awards: visiting education professor Margaret Riel is working on the design and development phase of the National Commission on Teaching and America’s Future project, “Online Learning Communities to Support New Teachers”; biologist Karen Martin is monitoring grunion spawning activities while educating the public on the value of this species; and biologist Lee Kats is exploring the environmental impact of biological invasions of native communities and ecosystems, plus methods of minimizing long-term damage.

Two important administrative appointments were made this year. Kenneth W. Starr was selected as the new dean for the School of Law, taking office August 1, 2004. Judge Starr presented twenty-five cases before the U.S. Supreme Court during his years as Solicitor General of the United States. He also has served in federal government positions, including his service as independent counsel and as judge for the U.S. Court of Appeals, D.C. Circuit. Also this year, Dr. Carolyn Vos Strache was appointed the new director of London programs, after serving Seaver College as professor, divisional chair, and associate dean. Dr. Vos Strache has been a leader at Pepperdine since 1979.

Several distinguished visiting scholars added to the academic experience of Pepperdine University. Dr. Kenneth Elzinga, of the University of Virginia, worked as a mentor to students and faculty throughout the University, and presented classes such as “Teaching Through Lecture,” and “Microsoft and the Chicago School of Economics.” He spoke to student groups, and faculty from all five schools were
invited to hear him speak on “Models for Faculty Ministry.” Dr. Rodney Honeycutt, of Texas A&M, taught a genetics course at Seaver College. And in June, Dr. William Doherty, of the University of Minnesota, conducted a free public workshop on “Help for Hurried Families: It’s About Time.” He also made presentations to students, conducted workshops, and consulted with the faculty of the Graduate School of Education and Psychology.

A new university-wide faculty orientation was introduced this year to encourage integration and collegiality among faculty members of the five schools. And a faculty conference was held jointly with the national Lilly Fellows conference. In addition, the Office of the Provost established a central review and clearinghouse for all school academic catalogs in an effort to unify academic information concerning Pepperdine.

Regarding filling faculty vacancies, the Graziadio School appointed seven new professors, half of which are women, with one underrepresented minority. Seaver College appointed eight tenure-track professors, also half of which are women, with two underrepresented minorities. The Graduate School of Education and Psychology is anticipating the addition of four new professors, with one pending offer to a woman from an underrepresented minority. Of the remaining eleven candidates, seven are women and two are from underrepresented minorities. The School of Public Policy, with a very small faculty, added its first female tenure-track professor in 2003 and appointed another professor for 2004-2005. There were no new faculty members at the School of Law this year. The new faculty additions strengthen Pepperdine academics and enhance the diversity of our community.

**ACADEMIC PROGRAMS**

**THE GRAZIADIO SCHOOL OF BUSINESS AND MANAGEMENT** is appearing on prominent ranking lists with frequency. The school’s Executive MBA programs were ranked 19th in the world by *BusinessWeek* magazine. For the first time, the *Financial Times* ranked the Executive MBA programs among the best in the world. And also for the first time, *U.S. News* 2005 online edition of *America’s Best Graduate Schools* included the school’s full-time MBA programs, placing them among the top 18 percent in the nation.

Seven new business faculty members were appointed as the new year began. These professors brought with them degrees from universities such as UC Berkeley, the London Business School, University of Nebraska, Indiana University, Baylor University, and the Air Force Academy.

Several books were published by Graziadio School faculty, including: Margaret E. Phillips, associate professor of international business, co-authoring *Crossing Cultures: Insights from Master Teachers*; William O. Stratton, professor of accounting, who co-wrote *Introduction to Management Accounting*, 13th Edition; and Charles D. Kerns, associate dean of academic affairs and associate professor of applied behavioral science, penning *Value-Centered Ethics: A Proactive System to Shape Ethical Behavior*.

The Graziadio School’s Funds for Excellence helped finance two research projects. The first, “Implementing Web-based Portals at American Honda Motor Corporation,” paired Graziadio faculty
Drs. Mark Chun and Charla Griffy-Brown with a University of Colorado colleague. And the second, “The Changing and Evolving Role of the Chief Information Officer,” paired Drs. John Mooney and Mark Chun, whose initial research findings were presented in New York earlier this year at the Americas Conference on Information Systems.

The Graziadio School dedicated three new campuses last year. The dramatic new buildings on the Drescher Graduate Campus in Malibu are home to the full-time MBA programs and also include a dean’s suite. A new Pasadena campus was launched to serve fully-employed students in the San Gabriel Valley region. And the gleaming new facilities in West Los Angeles at the Howard Hughes Center opened to approving reviews. This center serves as the main headquarters of the school. All executive program orientations were moved to Villa Graziadio, adjacent to the Graziadio School building on the Drescher Graduate Campus. The Villa Graziadio is Pepperdine’s executive retreat center, available to corporate management teams. It offers opportunities to integrate Executive MBA students with less experienced full-time MBA students, as it hosts the executive program orientations.

The Master of Science in Organization Development (MSOD) program successfully completed student consulting projects in Canada, Mexico, and China. The Graziadio School also added study-abroad programs in France and Switzerland.

The school developed partnerships with world-class advertising and public relations agencies during the year. And the faculty recruitment and selection process was professionalized by putting more emphasis on mission alignment and diversity.

In the full-time MBA programs, an entrepreneurship emphasis was added. And the first Pepperdine Business Symposium was conducted. A diversity scholarship initiative is supporting recruitment of students of outstanding quality.

Finally, a new “Education to Business” (E2B) program was implemented for fully-employed MBA students. Pepperdine students completed more than twenty successful consulting projects with companies. Grant funding of $150,000 went to the program’s development and facilitation.

THE GRADUATE SCHOOL OF EDUCATION AND PSYCHOLOGY also successfully relocated its headquarters to the West Los Angeles campus and opened operations in the GSEP academic center on the Drescher Graduate Campus in Malibu.

Enrollment continues to grow in the psychology programs, and the diversity scholarship initiative is supporting the recruitment of outstanding students. Two exceptional cohorts have been recruited for the new Drescher Campus program. And a strong doctor of psychology (Psy.D.) student body has been enrolled this year.
Dr. Diana Hiatt-Michael, professor of education, received the American Educational Research Association’s prestigious 2004 Outstanding Contributions Relating Research to Practice Award in the interpretive scholarship category. The award was based on her work as editor of a trilogy of monographs.

Dr. Edward Shafranske, program director for the doctor of psychology degree, received the Distinguished Service Award from the American Psychological Association Division 36: Psychology of Religion, at its annual convention. Shafranske served two terms as APA president.


Dr. Doug Leigh, professor of education; Dr. David Levy, professor of psychology; and Dr. Edward Shafranske, professor of psychology, each co-authored important books with other experts in their respective fields. In addition, Dr. Linda Polin, program director for the Ed.D. in educational technology degree, wrote a chapter for a book on distance learning.

Dr. J. L. Fortson was selected as a member of the U.S. Department of Education’s Teacher Assistance Corps. She will join other education professionals, researchers, and practitioners in an effort to assist states in meeting the No Child Left Behind legislation requirements. Dr. Fortson is director of student teaching at GSEP.

Dr. Dennis Lowe, professor of psychology and founding director of the Center for the Family, partnered with the Oklahoma Marriage Initiative program commissioned by the governor to reduce the divorce rate in Oklahoma. Lowe presented the Prevention and Relationship Enhancement Program at Tinker Air Force Base.

Dr. Marta Sanchez, professor of education, was appointed by Los Angeles Mayor James Hahn to the Commission on Children, Youth and Their Families. Sanchez will advise the mayor and city council on policy and legislative issues related to children and families.

In addition to introducing distinguished visiting professor William J. Doherty (mentioned on page 15), GSEP welcomed Kevin Cashman, author and founder of LeaderSource, who spoke to students in the doctoral program in organizational leadership. Barry Z. Posner, author and dean of the Leavey School of Business at Santa Clara University, also spoke to students of the organizational leadership program.

Dr. Gerald Bracey was the keynote speaker for the tenth annual Call to Leadership Forum held in May 2004 and hosted by GSEP. The theme for the forum, for superintendents and other educational leaders, was What Moral Leadership Looks Like in Practice. And Dr. Wade F. Horn, assistant secretary for Children and Families for the U.S. Department of Health and Human Services, spoke at the 2004 commencement ceremony for
psychology students. He also spoke at opening ceremonies for the new GSEP building on the Drescher Graduate Campus in October 2003.

GSEP alumni continue to win awards and receive prestigious appointments upon graduation. And 97 percent of teacher-credential candidates obtained important teaching positions upon graduation from the Masters of Arts in Education with Teaching Credential (MAE/TC) program.

**The School of Law** celebrated the arrival of its new dean, Kenneth W. Starr, with a first-ever dean’s investiture. Held on September 13, 2004, the investiture began with a formal academic procession that included the faculty, visiting dignitaries, the four other deans of Pepperdine, and law faculty emeriti. After Dean Starr was invested by President Benton, he spoke briefly. The ceremony was followed by a reception in the law center atrium.

About a year earlier, acclaimed constitutional law scholar Douglas W. Kmiec returned to the law school as the Caruso Family Chair in Constitutional Law. He had spent the previous two years as dean and St. Thomas More Professor of Law at Catholic University’s Columbus School of Law in Washington, D.C. His return has brought many appearances on national and regional television and radio. The University celebrated the reuniting of this popular professor with the Pepperdine School of Law.

Earlier in the year, U.S. Supreme Court Justice Antonin Scalia spoke at the dedication of the Henry J. and Gloria Caruso Auditorium in the law center. The Caruso Auditorium was made possible through a gift from alumnus Rick Caruso and named in honor of his parents.

The Caruso name was also associated with the announcement in summer 2003 by the School of Law of a loan forgiveness program to better enable law school graduates to seek opportunities to serve the public interest. The loan forgiveness program was made possible through the generosity of Henry J. and Gloria Caruso and Rick J. and Tina Caruso.

The law school announced its first post-graduate degree program for lawyers, the LL.M. in dispute resolution. Offering the LL.M. is another indication of the school’s rising academic stature among the nation’s law schools.

A new joint degree with Seaver College was established during the past year. The juris doctor and master of divinity (JD/MDiv) joint degree program allows students to complete the two degrees concurrently, alternating semesters between Seaver College and the School of Law, and finishing in five years versus the six usually required. Students with both legal and theological training can use these critical tools in work not only for law firms but also for churches, nonprofit and public policy organizations, and legal advocacy clinics representing the poor and disabled.
During the 2004 academic year, the Pepperdine School of Law moved into the top one hundred law schools in the nation according to U.S. News & World Report. Law student advocacy teams continue to do well in competition, taking three national titles and three second-place titles in prestigious tournaments.

The School of Public Policy welcomed its largest class, representing a 136 percent growth in four years. A five-year reunion for the young school was held, with an amazing 70 percent of the class returning for the celebration. Student job placement is increasing, and of the most recent class, 30 percent of the students were placed in positions even before they had graduated.

Beginning this year, David Davenport, distinguished professor and sixth president of Pepperdine for fifteen years, will focus all of his teaching in the School of Public Policy. Davenport has co-authored two new books, Never a Matter of Indifference, with Pepperdine alumna Hanna Skandera, and Shepherd Leadership, with Blaine McCormick. He has also written several newspaper articles, many for the San Francisco Chronicle, with fellow professor Gordon Lloyd. He is a frequent commentator on radio and is in demand as a speaker for conferences and institutions across the nation.

New faculty members this year include Professor Robert Kaufman, who received his B.A., M.A., and Ph.D. degrees from Columbia University, in addition to a J.D. from Georgetown University. Dr. Kaufman is a political scientist, specializing in American foreign policy, national security, international relations, and various aspects of American politics. He has taught at Colgate University, the Naval War College, and, most recently, the University of Vermont. He is author of two biographies, one on Senator Henry M. Jackson and another on President Richard M. Nixon. He is currently writing a new biography of President Ronald Reagan.

Also taking her place as a tenure-track faculty member is lecturer Angela Hawken, who is a Ph.D. candidate at RAND Graduate School of Policy Analysis.

Professor Ted McAllister was presented with one of the inaugural Howard A. White Awards for Teaching Excellence at the April 2004 commencement ceremony. He offered several special lectures, including one at an Intercollegiate Studies Institute Graduate Honors Colloquium held in Michigan. He also attended an Atlantic Bridge conference for conservative leaders from both the United Kingdom and the United States. The conference was held in London.

In July 2003, James Q. Wilson, Ronald Reagan Professor of Public Policy, received the Presidential Medal of Freedom, the nation’s highest civilian honor, awarded to him by President George W. Bush in a White House ceremony. Dr. Wilson is the author of several influential works on the nature of human morality, government, and criminal justice issues. In October 2003, he lectured at the Ronald Reagan Presidential Library on “Who Becomes a Terrorist.”
Professor Gordon Lloyd, in conjunction with the Ashbrook Center for Public Affairs at Ashland University, has launched the most comprehensive Web site on the Constitutional Convention in the nation. Funded by the U.S. Department of Education, the site is designed to provide schoolteachers of kindergarten through high school the background information necessary to teach the roots of the American order.

Distinguished Fellow Bruce Herschensohn published a new book, *Passport: An Epic Novel of the Cold War*, and was lecturer for the 2003 Licata Lecture Series.

The Davenport Institute hosted its annual Faith and Public Policy Conference in March 2004. The topic, Immigrants, Religious Congregations, and the Civil Society, brought together a fascinating group of experts that explored the role of religious congregations in nurturing, educating, and encouraging the successful integration of immigrants into American society.

**Seaver College** dedicated the new Seaver Honor Wall in September 2004. Located in the hallway of Tyler Campus Center, the wall honors students and their faculty mentors who have achieved recognition from scholarly organizations. The college submitted its application for a chapter of Phi Beta Kappa honor society in the fall. A visit from officials is expected in early 2005, with approval for a chapter perhaps coming later in the year.

August 2003 saw Pepperdine’s appearance in Kaplan’s 2004 edition of *The Unofficial, Unbiased Guide to the 328 Most Interesting Colleges*. The University was named again as one of the hottest and trendiest schools in the nation. It topped the lists in three other categories: schools that are hidden treasures, schools with the most beautiful campuses, and schools with popular drug-free and alcohol-free activities for students.

At least thirty students submitted applications for prestigious national scholarships. Thus far, Ben Elliott was a state finalist for the Rhodes Scholarship, and he received the prestigious Coro Fellowship, a first for a Seaver College student. In addition, the U.S. Fulbright Commission nominated students Kelly Spann and Ashley Foster for Fulbright grants.

In order to accommodate a larger portion of the applicant pool, Seaver College’s 2004-2005 freshman class is 811, about 100 more than last year. Nearly 7,000 students applied for admission to the college, and the admittance rate was 25 percent, excluding international students.

Underrepresented groups accounted for 34 percent of the new class, and 89 percent have a Christian heritage. The high school grade point average (GPA) of the entering freshmen was 3.62, and the average SAT score was 1209.

The college revived its academic honor societies recently. About seventy-five freshmen were involved in the honors, each boasting a minimum 3.5 GPA. There are societies for various individual disciplines. Parents of the honor students are invited to the award ceremonies.
Seaver College appointed nine new tenure-track faculty members, 20 percent from underrepresented minorities, and 44 percent women. These new faculty members have Ph.D. degrees from such universities as Duke University, Georgetown University, University of Wisconsin-Madison, Ohio State University, UC Santa Barbara, USC, Indiana University, and Cornell University. There were three newly-named chairs and professorships: Andrew Yuengert now occupies the John and Francis Duggan Chair in Business, Cindy Miller-Perrin occupies the Blanche E. Seaver Chair in Social Science, and Holden MacRae is the Frank R. Seaver Professor in Natural Science. Additionally, eight new visiting faculty were appointed for the new year.

During the 2003-2004 year, six Seaver faculty members published seven books. The college faculty are now averaging five books per year.

The Office of the Associate Provost for Research launched a pilot research project called the Cross-Disciplinary Undergraduate Research (CDIUR) program. It brought together both a student and a faculty member from each of these diverse disciplines: humanities, communications, and business. A second “research cluster” integrated art history, nutritional science, and art into an exceptionally informative research project. Working together intensely throughout the summer of 2004, CDIUR participants had the opportunity to present their significant research at the Summer Undergraduate Research Program banquet in late October 2004.

The sixteenth annual Step Forward Day on September 11, 2004, broke its own participation record with 1,380 volunteers, an increase of almost 200 over 2003 numbers. But the best news is that dozens of Southland nonprofit organizations received a concentrated three-hour’s-worth of free labor, thanks to Pepperdine students, faculty, and staff. Neglected projects that received much-needed attention ranged from gardening and beach and highway cleanup, to sharing with local detention center teens what college life is like as an encouragement to setting goals. Eight months in the planning by Seaver College’s Volunteer Center, the event is meeting its main goal: placing enthusiastic students into long-term volunteer positions.

A Leadership Development and Breakfast Colloquium series was inaugurated in August 2004 for Seaver College student leaders. Added to the existing first tier, the new second tier saw upwards of 250 participants in a day-long August seminar focusing on a strengths-based approach to leadership and facilitated by Dr. Edward “Chip” Anderson, who co-authored the book StrengthsQuest. The added third tier continues through the academic year with monthly breakfast seminars targeting 350 students with topics related to Helen and Alexander
Astin’s “7 Cs” of leadership in their book, Social Change Theory: A Model of Leadership Development. Funded graciously through the Lilly Endowment, this program helps student leaders identify strengths and personal leadership style, increase impact on students they lead within the campus community, and ultimately, find their vocation and calling through their tenure as a student leader.

In addition to the international programs in Heidelberg, London, Florence, and Buenos Aires, the two new programs in Lyons, France, and Hong Kong, China, are up and running, with high hopes for their success. The program in Lyons entered its third year of operation with thirty students. It is the second Seaver College home-stay program (the other is Buenos Aires), where students live with selected families and classes are held at a local university. The students are enmeshed in the local culture of Lyons, using the second most commonly taught language after Spanish. To ensure health safety, the Hong Kong program was delayed until January 2004 but is now functioning well. It is expected to grow quickly as students learn of the cultural opportunities of this exciting Asian outpost on the Pacific Rim.

NEW FACILITIES AND FACILITY IMPROVEMENTS

In January 2004, the Graduate School of Education and Psychology and the Graziadio School of Business and Management opened their new campus and headquarter facilities in West Los Angeles. The new facilities are at 6100 Center Drive at the Howard Hughes Center, adjacent to the I-405 freeway. The 112,466 square feet are spread over five floors and include 180 offices and twenty-seven classrooms, plus conference rooms, a library, and a bookstore. Parking is convenient, and the entire facility is across from shopping, restaurants, health club, and cinema. Public transportation serves the area.

Each classroom features a “smart panel” that controls audio-visual, computer-projection, and video-conferencing functions. This new state-of-the-art, wireless facility is a quantum leap in service to our graduate students.

A full year of graduate classes for Graziadio students was completed at the Pasadena campus. Originally open for class in January 2003, this pilot project continues to welcome students from the greater San Gabriel Valley region. The Pasadena Towers location, near the intersection of Lake Avenue and Colorado Boulevard, complements the geographical graduate study options that include Encino, Long Beach, West Los Angeles, Irvine, and Westlake Village.

During 2004, Stauffer Chapel, sometimes called “the little chapel on the hill,” was redesigned, upgraded, and renovated. This included installing air conditioning for the first time, which will help the chapel resist deterioration from weather. Special acoustics were designed and installed, and built-in audio-visual equipment was added—plus a large, high-quality organ replaced the small one that had been in the chapel for thirty years. Even the “foot-print” was improved, with the addition of special walkways and a prayer garden behind the chapel overlooking Malibu and Santa Monica Bay.
An impressive list of upgrades have improved Stauffer Chapel.
Summer 2004 saw the remodeling and renovation of the lobby and front of Smothers Theatre. The restrooms were enlarged, and the lobby was redesigned with greatly enhanced drama, including a beautiful Persian rug, domed ceiling lights, and a chandelier. Fountains and water features were added, and new stairs and a small plaza now grace the entrance to the theater.

On September 11, 2003, the second anniversary of the attacks on America, Pepperdine University dedicated its Heroes Garden on the Drescher Graduate Campus. The garden honors the heroes of 9-11—firefighters, police, port authority personnel, and private citizens—who lost their lives trying to save others in the terrorist attacks. Among the heroes was Graziadio School alumnus Thomas E. Burnett, Jr., who was among the first to fight back and thwart the terrorists’ attempts to crash a fourth jetliner into a strategic target in Washington, D.C. The garden was made possible through the generosity of Pepperdine friends, Albert and Angie Strauss, in memory of their son, Gary.

ATHLETICS

Incredibly, for the third straight year, Pepperdine University won the Commissioner’s Cup of the West Coast Conference (WCC). This award, presented by the league at the end of each academic year, is given to the top performing school in conference play. The Waves also won the Men’s and the Women’s All-Sports Award. Dr. John Watson, director of athletics, said, “The remarkable accomplishments by our various teams this year are a direct result of the hard work put forth on a daily basis by our coaches and student-athletes.”

During the 2003-2004 school year, the Pepperdine teams captured WCC championships in six sports: baseball, men’s golf, women’s golf, men’s tennis, women’s tennis, and women’s volleyball. A single-season record of ten teams advanced to NCAA championship post-season play.

Women’s volleyball head coach Nina Matthies was selected WCC’s Coach of the Year after leading the Waves to their third consecutive undefeated conference season with a 14-0 record.
Nine Pepperdine student-athletes earned All-American honors. And three won their respective sport’s Player of the Year award. Two other athletes were selected as Freshmen of the Year in their sports.

In the past school year, Pepperdine teams compiled a .620 winning percentage. The Waves have won at least 60 percent of their athletic contests in twenty-two of the last twenty-eight seasons and surpassed 70 percent on six occasions. Since the mid-1970s, Pepperdine teams have earned a winning percentage of .644.

Individuals, corporations, and foundations all contributed to a successful fund-raising year for athletics. Led by senior advancement officer for athletics Sam Lagana, many people were involved in this best-ever year for securing funds to support the athletics programs and student-athlete scholarships. However, much more needs to be done if our support for athletics is to reach the excellence at which our extraordinary teams operate year-in and year-out.

Dan Haren, former pitcher for the Waves (1999-2001), pitched two scoreless innings for the St. Louis Cardinals in this year’s World Series.
The advancement team supports the core operation of the University, teaching and learning, by raising friends and needed funds for daily operations, scholarships, and endowment. In addition, the advancement team searches for committed individuals who will help build needed facilities or remodel and refurbish existing facilities.

“Advancement” is an appropriate name for this team of dedicated professionals. Not only do they find funds to help meet the budget and help to cover the shortfall of tuition revenues, but they also assist professors in finding grants for worthy research projects, search for funds for new academic programs and facilities, and raise support for financial assistance to students. Clearly, these are tasks that advance the University, propel it forward into greater areas of service.

With the departure of Vice President for Advancement and Public Affairs Brad Cheves, the advancement team has been led by President Andrew K. Benton, on an interim basis, with the help of senior advancement officers. A national search for a new vice president is underway, employing a top executive search firm.

In the meantime, advancement operations are moving forward, and several new professionals have been added to the team. Following are a photo of the advancement team and charts that graphically display the progress achieved in fiscal year 2003-2004.
Leading the Community

A talented and dedicated team of administrators leads Pepperdine in its daily operations and in its dreams for tomorrow. Each member of the team is a hard-working visionary who is personally committed to the University’s mission and to the heritage bequeathed to us by Mr. George Pepperdine.

Andrew K. Benton, president, is the chief executive officer of the University, with all other administrators reporting directly or indirectly to him. He, in turn, reports to the University’s dedicated Board of Regents. Taking office in June 2000, President Benton is now in his fifth year as CEO.

Charles B. Runnels, chancellor, is the senior “friend-raiser,” in addition to offering counsel to the president. His success at Pepperdine for more than thirty-five years, helping the University reach its advancement goals, can be traced to his love for students and unswerving support of the mission.
Darryl L. Tippens, provost, is the University’s chief academic officer. As such, the deans of all five schools report directly to him. A highly regarded scholar, author, and essayist, he has a long and distinguished career in higher education. He came to Pepperdine as provost in 2001.

Gary A. Hanson, vice president and general counsel, oversees the external relations, regulatory affairs, risk management and insurance, and equal employment opportunity operations of the University, in addition to his duties as senior legal counsel. He has served as general counsel for twenty years.

Nancy Magnusson Durham, vice president for Planning, Information, and Technology, served as a professor and administrator at Seaver College and also as dean of GSEP. With the University for twenty-five years, she now heads up the crucial areas of strategic planning and information management.

Charles J. (Jeff) Pippin, vice president for Finance and Administration, is chief financial officer, as well as leading many of the University’s administrative functions. Responsible for Pepperdine’s endowment and well-performing investments, he has been with the University for more than twenty years.

Kenneth W. Starr, dean of the School of Law, took office in August 2004. Judge Starr is an author and constitutional scholar who served in several governmental posts, including U.S. Solicitor General, in which he argued twenty-five cases before the U.S. Supreme Court. He also has experience in private practice.

W. David Baird, dean of Seaver College, previously served as chair of the Humanities and Teacher Education Division at the college. With the University since 1988, he is an honored author and Native American expert and a former Fulbright Senior Lecturer in New Zealand. He became dean in 1998.

Margaret J. Weber, dean of the Graduate School of Education and Psychology, for several years served as associate dean of research and graduate studies at Oklahoma State University’s College of Human and Environmental Sciences. She has effectively led GSEP as dean for three years.

Linda A. Livingstone, dean of the Graziadio School of Business and Management, was previously associate dean for graduate programs at the Hankamer School of Business at Baylor University, responsible for eleven full-time graduate programs. She has led the Graziadio School for the past two years.

James R. Wilburn, dean of the relatively new School of Public Policy, previously served as dean of the Graziadio School for twelve years. With Pepperdine for nearly thirty-five years, he has served in the classroom and in several important administrative posts, including vice president for University Affairs.
Once again, Pepperdine University finished its fiscal year on a financial high note. The University’s total assets continue to surpass the $1 billion mark, and exhibited solid growth from one year ago. The $36 million increase in total assets during fiscal 2004 was due to both solid operational results from each of the University’s five schools, and continued improvement in investment performance as compared to fiscal 2003. The University’s net assets increased $39 million to a fiscal year-end record of $730 million, $542 million of which is unrestricted.

During fiscal 2004, the University completed major construction on the Drescher Graduate Campus, which has become 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. We expect to complete the sale of fifty-six faculty and staff residences on the Drescher Graduate Campus in fiscal 2005, greatly strengthening community life on campus.

During the course of the past two years, the University’s investment portfolio has rebounded well from a period of volatility and negative returns in the capital markets in the prior three years. We believe that our long-term diversified investment strategy, combined with our five-year averaging of market values for endowment payout purposes, will continue to work well in protecting our investment portfolio and provide valuable resources to fund our academic operations long into the future. During fiscal 2004, total support from the endowment remained relatively constant as compared to last year, amounting to some $21 million.

The University’s investment portfolio generated total income and gains of approximately $56 million, for an approximate 10% total annual return. University funds functioning as endowment totaled $426 million at July 31, 2004, an 8% increase from one year ago.

The University’s long term obligations decreased slightly from one year ago, and totaled $206 million at the end of fiscal 2004. The University’s significant debt service reserves and its strong ability to cover debt service from operating cash flow are strong contributors to our “A1” credit rating from Moody’s Investors Service.

**Financial Information**

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**Revenues**

- Net student tuition and fees: 66%
- Other revenue: 3%
- Sales and services: 3%
- Private gifts and grants: 7%
- Room and board: 10%
- Endowment support: 10%

**Expenses**

- Instruction and research: 36%
- Management and general: 19%
- Academic support: 14%
- Student services: 14%
- Auxiliary enterprises: 8%
- Public service: 4%
- Membership development: 1%
- Fund-raising: 4%
The University currently enrolls approximately 8,300 students in its five colleges and schools. Total enrollment has increased by 5% over the past five years, with demand for each of the University’s degree programs increasing, particularly at Seaver College and the Graduate School of Education and Psychology. In fiscal 2004, total revenues increased 6% to $221 million, of which net student tuition and fees totaled $147 million. Increased demand for the University’s academic programs fueled a 7% increase in net student tuition and fee revenues. Additionally, the completion of the Drescher Graduate Campus allowed us to generate additional revenues and operating cash flow from increased student housing, the expansion of our graduate programs, and our new Villa Graziadio Executive Center operations.

The University remains committed to providing the best possible academic experience for each of its students. Accordingly, the University’s total operating expenses for fiscal 2004 increased 8% from last year to total $216 million. During fiscal 2004, our spending increased as a direct result of providing additional student instruction and support, as well as to increased facilities costs associated with the Drescher Graduate Campus. We believe that our increased investment in students should not only improve their academic experience, but also the University community in which they live and learn. Accordingly, we have endeavored to direct the University’s resources to improving our academic, social and spiritual facilities.

We remain thankful for the way in which God has blessed us with the support of a wonderful family of faculty, students, alumni, and friends – and we are confident that the years ahead will continue to unfold the great promise that is Pepperdine University.

Charles J. Pippin
Vice President for Finance and Administration
### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 8,193</td>
<td>$ 11,378</td>
</tr>
<tr>
<td>Student receivables, less allowance for doubtful accounts of $1,044 and $1,182, respectively</td>
<td>4,350</td>
<td>4,070</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>2,940</td>
<td>2,558</td>
</tr>
<tr>
<td>Student loans, less allowance for loan losses of $2,132 and $2,887, respectively</td>
<td>29,549</td>
<td>25,182</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>18,243</td>
<td>18,324</td>
</tr>
<tr>
<td>Prepaid expenses, inventories, and other assets</td>
<td>6,834</td>
<td>6,487</td>
</tr>
<tr>
<td>Investments</td>
<td>577,412</td>
<td>570,844</td>
</tr>
<tr>
<td>Assets held as trustee or agent</td>
<td>87,113</td>
<td>81,260</td>
</tr>
<tr>
<td>Property, facilities and equipment, net</td>
<td>314,565</td>
<td>293,078</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,049,199</td>
<td>$1,013,181</td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets

#### Liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 26,502</td>
<td>$ 32,332</td>
</tr>
<tr>
<td>Accrued salaries and wages</td>
<td>3,680</td>
<td>4,604</td>
</tr>
<tr>
<td>Student deposits, advance payments, and deferred revenue</td>
<td>6,563</td>
<td>5,559</td>
</tr>
<tr>
<td>U.S. government funded student loans</td>
<td>14,600</td>
<td>14,273</td>
</tr>
<tr>
<td>Trust and agency obligations</td>
<td>61,682</td>
<td>57,173</td>
</tr>
<tr>
<td>Long term obligations</td>
<td>205,788</td>
<td>208,715</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>318,815</td>
<td>322,656</td>
</tr>
</tbody>
</table>

#### Net Assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>542,226</td>
<td>508,883</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>60,597</td>
<td>58,039</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>127,561</td>
<td>123,603</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>730,384</td>
<td>690,525</td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$1,049,199</td>
<td>$1,013,181</td>
</tr>
</tbody>
</table>

---

This financial information is prepared by our independent auditors, under the supervision of the Controller.

In the spirit of the recent Sarbanes-Oxley legislation (not yet required of non-profit corporations) and consistent with our ongoing efforts to improve corporate governance, the Audit Committee also reviews the University’s systems of internal control and oversees the Auditing Services function. Finally, the Audit Committee has established a system to receive and investigate confidential and anonymous communications concerning the processing and presentation of financial information.
Pepperdine University
Consolidated Statements of Activities for the years ended
July 31, 2004 and 2003
(in thousands)

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student tuition and fees</td>
<td>$193,895</td>
<td>$</td>
<td>$</td>
<td>$193,895</td>
<td>$180,487</td>
</tr>
<tr>
<td>Less student aid</td>
<td>(47,171)</td>
<td>$</td>
<td>$</td>
<td>(47,171)</td>
<td>(43,715)</td>
</tr>
<tr>
<td><strong>Net Student Tuition and Fees</strong></td>
<td><strong>146,724</strong></td>
<td>$</td>
<td>$</td>
<td><strong>146,724</strong></td>
<td><strong>136,772</strong></td>
</tr>
<tr>
<td>Room and board</td>
<td>22,135</td>
<td>$</td>
<td>$</td>
<td>22,135</td>
<td>18,548</td>
</tr>
<tr>
<td>Private gifts and grants</td>
<td>7,949</td>
<td>3,350</td>
<td>3,623</td>
<td>14,922</td>
<td>16,923</td>
</tr>
<tr>
<td>Endowment support</td>
<td>21,006</td>
<td>$</td>
<td>$</td>
<td>21,006</td>
<td>19,877</td>
</tr>
<tr>
<td>Government grants</td>
<td>2,940</td>
<td>$</td>
<td>$</td>
<td>2,940</td>
<td>3,104</td>
</tr>
<tr>
<td>Sales and services</td>
<td>7,521</td>
<td>$</td>
<td>$</td>
<td>7,521</td>
<td>7,773</td>
</tr>
<tr>
<td>Other revenue</td>
<td>5,011</td>
<td>189</td>
<td>334</td>
<td>5,534</td>
<td>5,051</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>3,220</td>
<td>(3,220)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>216,506</strong></td>
<td><strong>319</strong></td>
<td><strong>3,957</strong></td>
<td><strong>220,782</strong></td>
<td><strong>208,048</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction and research</td>
<td>78,223</td>
<td>$</td>
<td>$</td>
<td>78,223</td>
<td>73,205</td>
</tr>
<tr>
<td>Academic support</td>
<td>29,725</td>
<td>$</td>
<td>$</td>
<td>29,725</td>
<td>28,022</td>
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<tr>
<td>Student services</td>
<td>31,282</td>
<td>$</td>
<td>$</td>
<td>31,282</td>
<td>29,564</td>
</tr>
<tr>
<td>Public service</td>
<td>9,332</td>
<td>$</td>
<td>$</td>
<td>9,332</td>
<td>8,422</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>16,956</td>
<td>$</td>
<td>$</td>
<td>16,956</td>
<td>14,078</td>
</tr>
<tr>
<td>Management and general</td>
<td>40,572</td>
<td>$</td>
<td>$</td>
<td>40,572</td>
<td>37,401</td>
</tr>
<tr>
<td>Membership development</td>
<td>1,400</td>
<td>$</td>
<td>$</td>
<td>1,400</td>
<td>1,399</td>
</tr>
<tr>
<td>Fundraising</td>
<td>8,954</td>
<td>$</td>
<td>$</td>
<td>8,954</td>
<td>8,077</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>216,444</strong></td>
<td>$</td>
<td>$</td>
<td><strong>216,444</strong></td>
<td><strong>200,168</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non Operating Revenues and Expenses</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment of actuarial liability</td>
<td>$</td>
<td>(818)</td>
<td>364</td>
<td>(454)</td>
<td>371</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>2,316</td>
<td>$</td>
<td>$</td>
<td>2,316</td>
<td>2,165</td>
</tr>
<tr>
<td>Interest</td>
<td>3,538</td>
<td>160</td>
<td>164</td>
<td>3,862</td>
<td>4,290</td>
</tr>
<tr>
<td>Other</td>
<td>372</td>
<td>$</td>
<td>$</td>
<td>372</td>
<td>698</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from investments</td>
<td>39,037</td>
<td>213</td>
<td>3,664</td>
<td>42,914</td>
<td>22,618</td>
</tr>
<tr>
<td>Appropriations from endowment</td>
<td>(14,217)</td>
<td>(88)</td>
<td>(286)</td>
<td>(14,591)</td>
<td>(14,029)</td>
</tr>
<tr>
<td>Other</td>
<td>2,235</td>
<td>2,772</td>
<td>(3,905)</td>
<td>1,102</td>
<td>(7,088)</td>
</tr>
<tr>
<td><strong>Total non operating revenues and expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>35,521</strong></td>
<td><strong>9,025</strong></td>
</tr>
</tbody>
</table>

| Change in net assets                   | 33,343       | 2,558                  | 3,958                  | 39,859 | 16,905 |

| Net assets at beginning of year        | **508,883**  | **58,039**             | **123,603**            | **690,525** | **673,620** |
| Net assets at end of year              | $542,226     | $60,597                | $127,561               | **730,384** | **690,525** |
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As a Christian university, Pepperdine affirms

That God is

That God is revealed uniquely in Christ

That the educational process may not, with impunity, be divorced from the divine process

That the student, as a person of infinite dignity, is the heart of the educational enterprise

That the quality of student life is a valid concern of the University

That truth, having nothing to fear from investigation, should be pursued relentlessly in every discipline

That spiritual commitment, tolerating no excuse for mediocrity, demands the highest standards of academic excellence

That freedom, whether spiritual, intellectual, or economic, is indivisible

That knowledge calls, ultimately, for a life of service.

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