THE MISSION OF PEPPERDINE UNIVERSITY

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 Chair
CHANGING LIVES. We have heard the theme often in the last several years, providing clear purpose to our efforts in the Campaign for Pepperdine. As I review successes of 2013, I know our University leaders, donors, friends, faculty, and staff, are doing just that. Thanks to the more than $400 million raised toward our $450 million campaign goal, we are creating a new generation of alumni that is boldly taking its quest for knowledge and passion for service to soaring new heights.

Indeed, “changing lives” is much more than a turn of phrase—it’s inspiration driving action. In 2013, for example, we added millions of dollars in scholarship funding across our five schools, received a transformative commitment to endow the Center for the Arts, and further developed new programming and assets in our University Libraries. We also received resources for faculty chairs and professorships, and we continued enhancements to campus facilities at home and abroad, including plans for a much-needed remodel to Moore Haus, our international campus in Heidelberg.

By investing in our campaign priorities, which represent some of Pepperdine’s most invigorating opportunities, donors and friends quietly and nobly build momentum that is powerful and everlasting. As communities of the world face seemingly insurmountable challenges, students and alumni, empowered by Pepperdine’s mission, are shining light in every corner of the globe, effecting real change with compassion and conviction. Every dollar has made a difference.

We who serve on the Board of Regents share a deep sense of pride for all that we have accomplished and will continue to pursue through this monumental campaign. As Pepperdine uses it to broaden its trajectory and embrace new possibilities in higher education, we are deeply grateful. Thank you for the role you play in the success of Pepperdine University.

Edwin L. Biggers
Chair, Board of Regents
Message from the President
ANNE MORROW LINDBERGH WAS BOTH PROPHETIC AND PRACTICAL when she observed in 1940, “The wave of the future is coming and there is no fighting it.” As we pause to report on our high-water marks of 2013, I wholly concur with Lindbergh and her unwitting nod to the Waves of Pepperdine—perhaps, as well, to the horizon of higher education.

Last year, following the fanfare of our 75th anniversary, one might say that we hunkered down in the ensuing 12 months to take a long look at all that we do. While accrediting commission reviews are inevitable and anticipated, self-imposed reviews of our processes and practices are entirely voluntary. In 2013 we volunteered to look inward.

We engaged leading consultants and took a deep dive into crucial elements of Pepperdine life: allocation of financial aid at Seaver College; enrollment opportunities at the Graziadio School of Business and Management; University allocation of space on the Malibu campus; and, among other areas of inquiry, University-wide strategies and issues. The reports are nearing completion and we are evaluating and acting upon them. I can share with certainty that three key drivers of Pepperdine’s future are change, creativity, and collaboration.

Across schools, we are exploring new ways to network ideas, curricula, and academic resources in a cross-campus collaboration of teaching and scholarship. Within each school, we are examining markets and admission metrics to “right-size” enrollment. At the School of Law, for example, we observe carefully the national decline in LSAT test taking, and we are paying close attention to competitive positioning—even as the School of Law has experienced the greatest jump in U.S. News & World Report rankings of any law school over the past decade.

Our deep dive has sharpened our focus as we take our values, our mission, and our ideas ever more confidently into the volatile higher-education arena. The essay that follows shares a bit of my perspective. Anne Morrow Lindbergh, we embrace your premise and boldly enter the fray.

Meanwhile, 2013 has seen creativity percolating across our community as hundreds of faculty, staff, and students developed new ideas that would “rethink Pepperdine.” Our Waves of Innovation initiative attracted more than 170 applications. Eight finalists moved on to Phase II and will receive planning grants as they hone their creative ideas to:

- **ENHANCE** teaching and learning;
- **FOSTER** scholarly and creative activity;
- **CREATE** new revenue opportunities through increased enrollment, new programs, community involvement, or collaboration with corporations and industry;
- **STREAMLINE** our organization, physical plant, and operating processes; or
- **STRENGTHEN** the Pepperdine University brand and reputation.

Poised for progress and buoyed by the widespread support for the Campaign for Pepperdine, we press forward with optimism. Thank you for your support as we prepare for 2014 and make Waves for a future bright with promise.

Andrew K. Benton
President
A tree says: A kernel is hidden in me, a spark, a thought, I am life from eternal life. The attempt and the risk that the eternal mother took with me is unique, unique the form and veins of my skin, unique the smallest play of leaves in my branches and the smallest scar on my bark. I was made to form and reveal the eternal in my smallest special detail.

—HERMANN HESSE
I often look into the eyes of new students and muse to myself that I know something they do not: I know how good life can be for them when accompanied by education and the remarkable sense of community they will experience at this place called Pepperdine. In our hallowed halls, faculty and distinguished scholars challenge each of our students to look beyond the ordinary, imparting new and reimagined perspectives into tender minds.
Over the course of their time spent with us, I am reminded how a college education can move students from feckless to fearless. This new chapter of life and learning frees young adults from the expected and the mundane and enables the celebration of all that lies within them. As they unlock new reserves of creativity and begin realizing their full potential, they literally jump for joy in our presence as we show them the unlimited potential of their lives. What a remarkable gift we can provide to our students.

Yet, while we nourish ingenuity in our students, we who nurture them sometimes forget to inspire ourselves. We inadvertently let ourselves stumble in the complexity of budgets, endless program reviews, seemingly cruel publication deadlines, or the pressure of managing the human dynamic attending every one of our Pepperdine duties. And when we do these things to the exclusion of finding our originality, potential, and indeed, joy, we become diminished, less than creative, predictable, and tired.

In recent years, the value of a college education has dominated national conversation, with many authors and educational pundits questioning whether a college degree is still worth it. Universities have been accused of becoming painfully backward and antiquated, especially those whose focus is in the liberal arts, with some evidence to suggest that higher education has become routine, stale, and even irrelevant.

Yet, while I hear these arguments and certainly relate to the issues of affordability, access, and accountability, I wholeheartedly affirm the core value of the way we teach and encourage our students to learn at Pepperdine. Former U.S. secretary of education William Bennett authored a book this year entitled Is College Worth It? On my copy, which I have read carefully, I wrote the word “yes,” for I truly believe it is.

Many forget that the modern education system came into being to meet the needs of industrialism. Education of a century ago was designed to meet a singular need determined only by the skills demanded for an industry or trade. As a result, primary and secondary education was standardized just like the factories where students would go to work. Teachers, in fact, did not even need to know what they were teaching; they just needed to know how to teach it—able to provide just enough knowledge for students to be able to read instructions on an assembly line.

While most agree that we have moved beyond the industrial era of unskilled labor, that utilitarian model of learning has carried forward through today, now in desperate need of disruption from its historical roots. But by observing current trends in education and the debate on education reform in the United States and abroad, it’s apparent the system is still often designed to create a workforce that fits the demands of industry. In this model of learning, which has become expected and confined, the value of higher education may be a relevant question.

We must continue to lead and blaze new trails for Pepperdine and higher education. We must explore GROWTH where growth will be attended by quality.

But our vision for a Pepperdine education has never been that narrow, nor will Pepperdine ever become just another degree mill. What we teach and how we teach it is too important. We unabashedly embrace our students as the heart of our educational enterprise and seek to endow them with a transformation of their whole person.
And we humbly achieve this through a liberal arts curriculum, based on intellectual rigor and a moral backbone. According to scholar Sir Ken Robinson, who visited with our faculty and staff last fall, these precious liberal arts enable our students to unlock the “gift of the human imagination,” to discover the “extraordinary evidence of human creativity,” and to take us into a “future that we can’t grasp.”

We reject the notion that education is simply a commodity. We remain true to the belief that the breakaway success of American higher education hinges on confident—even controversial—debate, where steel sharpens steel and the exchange between teacher and student leads to gestalt, “aha” moments of discovery and total transformation of character. When it comes to the inklings and ideas that will propel our next generation of leaders forward, we affirm that the classroom, in its most literal sense, still matters most. Indeed, we are assured that college is still worth it.

The future of Pepperdine University will be shaped by how we respond to these criticisms and other challenges presented to us. Colleges and universities are routinely confronted with new calls to action from countless stakeholders. Those that we accept and those that we reject will narrate the next chapter of our Pepperdine story. In other words, we have some decisions to make.

Will we assert that all of our present paths are the right ones, or will we innovate and try new techniques likely to add greater value to the lives and futures of our students? Einstein once said, “If you always do what you always did, you will always get what you always got.” From another angle, Sir Ken Robinson observed in his commentary, “Creativity is as important as literacy and should be treated with the same status. We need a revolution in education.”

—Sir Ken Robinson

Creativity is as important as literacy and should be treated with the same status. We need a revolution in education.
When it comes to the inklings and ideas that will propel our next generation of leaders forward, we affirm that **THE CLASSROOM, in its most literal sense, still matters most.** Indeed, we are assured that college is still worth it.

opportunities, and threats. As we continue to do so, we will decide if we have the will to take new, calculated risks for the benefit of our students and the future of the University. Whatever we decide, we know one certainty: the status quo is not viable.

Instead, as we profess the value proposition in our curriculum, we must continue to lead and blaze new trails for Pepperdine and higher education. We must explore growth where growth will be attended by quality. We must inquire into the efficacy, efficiency, and adequacy of “big ticket” budget items such as financial aid. We must examine Pepperdine’s competitive positioning in a comprehensive and strategic manner, starting immediately. And we must discover fresh approaches to managing our five remarkable schools.

The world of higher education is changing faster than, perhaps, we can comprehend. As we look to the year ahead and look into the eyes of the students whose lives we have charged ourselves to change, we must give one another permission to take bold risks, embark upon new challenges, and even fail in the good faith effort to make us better. In doing so, we will ignite the innovative capacity that will lead all of us into the Pepperdine of tomorrow.
YEAR IN REVIEW

The heartbeat of every institution pulses with the knowledge, curiosity, and spirit of its members.

At Pepperdine, a dynamic group of individuals comes together to breathe life into the University. Year after year, these outstanding people continue to shape the legacy of the University.

Here is a look back at the exceptional people and moments that made Pepperdine thrive in 2012–2013.

The Thought Leaders

(1) GARY BURNISON, CEO of Korn/Ferry International, continued the Dean’s Executive Leadership Series with a talk on his experiences in leadership and the values learned throughout his career.

The Dean’s Executive Lecture Series hosted San Francisco 49ers president and CEO JED YORK.

JANA WINOGRADÉ, executive vice president of business affairs and administration for ABC Entertainment Group, led the discussion at the Graziadio School’s Dean’s Executive Leadership Series.

James B. Duke Professor of English and professor of law at Duke University KARLA HOLLOWAY explored instances where medical issues and information that would usually be seen as intimate, private matters are forced into the public sphere at the W. David Baird Distinguished Lecture.

(2) KAREN ELLIOTT HOUSE, former publisher of the Wall Street Journal, spoke on her 30 years of experience reporting on the shrouded Saudi Arabian society at the 2013 Charles and Rosemary Licata Lecture.

Law professors, judges, and attorneys came together to discuss “The Law of Climate Change” at the sixth annual WILLIAM FRENCH SMITH MEMORIAL LECTURE.

MICHAEL REAGAN, son of late President Ronald Reagan, discussed his best-selling autobiography, Twice Adopted, at Payson Library.

A distinguished panel of experts, including associate professor James Prieger, provided a detailed look at current and evolving U.S. broadband sectors and technologies at the School of Public Policy’s THE BROADBAND TECHNOLOGY EXPLOSION forum.

The Community Builders

THE CELEBRATION OF EXCELLENCE reception and dinner recognized the 2013-2014 student scholarship recipients of the Graduate School of Education and Psychology.

Pepperdine hosted its 37th annual PEPPERDINE ASSOCIATES DINNER, featuring NFL player Tim Tebow in conversation with alumnus and Fox News Channel correspondent Adam Housley (’94).

(3) DOLORES, campus guardian and queen, returned to Pepperdine in honor of the University’s 75th anniversary.

(4) For the sixth year in a row Pepperdine staged a dramatic display of FLAGS AT ALUMNI PARK to honor the victims of the terrorist attacks of September 11, 2001.

(5) STEP FORWARD DAY, Pepperdine’s annual day of service, and the Pepperdine Volunteer Center both celebrated their 25th anniversary.

(6) Pepperdine’s annual FOUNDER’S DAY CELEBRATION honored the vision of the University’s founder, George Pepperdine, and declared the opening of the new academic year.
THE SPIRIT SEEKERS

The ASCENDING VOICE, Pepperdine’s triennial international symposium and choral festival of sacred a cappella music, returned to the Malibu campus for the third time.

Speakers Randy Harris and Richard Mouw engaged students and faculty in discussions about life’s hardest questions at the third annual VERITAS FORUM.

(7) Christians from around the world witnessed a milestone in history of the PEPPERDINE BIBLE LECTURES, as the beloved event reached its 70th anniversary.

Fifteen teams comprising a total of 167 students donated their time during spring break by volunteering at home and abroad for 2013 PROJECT SERVE.

The Athletic Aces

For the first time in its 75-year history, Pepperdine University hosted the 2013 NCAA® DIVISION I MEN’S BASKETBALL West Regional Championship (NCAA Sweet Sixteen® and Elite Eight®) at the STAPLES Center.

The NCAA once again ranked Pepperdine athletics high among its peers in their latest GRADUATE SUCCESS RATE FIGURES.

(8) A Pepperdine coaching legend, a trailblazer in women’s soccer, the school’s all-time leading scorer in men’s basketball, and a Major League Baseball veteran made up the group that was inducted into the PEPPERDINE UNIVERSITY ATHLETICS HALL OF FAME in 2012.

Alumni, families, faculty, and staff came home to Malibu for WAVES WEEKEND, Pepperdine’s annual homecoming celebration.

The Creative Visionaries

DANCE IN FLIGHT once again soared into Smothers Theatre for its 20th anniversary performances.

THE WEISMAN MUSEUM’S “POP CULTURE” exhibition of classics celebrated the museum’s 20th anniversary by exploring the roots and effects of the Pop Art movement that emerged in the 1960s.

Pepperdine premiered the award-winning new play, WHY DO YOU STAND THERE IN THE RAIN?

(9) The joy of reading was brought to life at SONGFEST 2013, as the annual student-led song and dance showcase followed the theme “From Page to Stage!”

Visit pepperdine.edu/annualreport2013 to watch a video of the year’s top highlights.
Andrew K. Benton has served as the seventh president of Pepperdine University since 2000 and continues to lead Pepperdine to prominence among the nation’s top universities. A lawyer by training, President Benton cares deeply about the student and is often called “the Students’ President.” Benton currently serves as chair of the Association of Independent California Colleges and Universities, on the board of directors of the National Association of Independent Colleges and Universities, the Council on Higher Education Accreditation, and the President’s Cabinet of the West Coast Conference. He is also past chair of the American Council on Education (ACE), the major coordinating body for all of the nation’s higher education institutions.

Prior to his presidency, Benton served in several key leadership roles at Pepperdine including executive vice president and vice president for university affairs and administration.

As the provost Tippens is Pepperdine University’s chief academic officer, providing academic leadership to the University and its five schools and colleges, as well as to the University libraries. The provost reports directly to the president and devotes significant time to issues of academic planning, program development, assessment, and the advancement of scholarship. In addition to the five schools of the University, the following areas report to the provost: the vice provost for academic administration; information technology; the Office of Institutional Effectiveness and Research; strategic planning; the Center for Faith and Learning; the Office of Disability Services; the Office of Sponsored Programs; and the University registrar/One Stop. He has been a scholar, instructor, and professor for over 30 years. Prior to joining Pepperdine University as provost in 2001, he was the James W. Culp Distinguished Professor of English and director of Graduate Studies in English at Abilene Christian University.
GARY A. HANSON
Executive Vice President and Chief Operating Officer

Hanson presently serves as the University’s executive vice president and chief operating officer. His responsibilities in this role encompass broad operational, financial, budgeting, legal, regulatory, governmental, human resource, construction and campus physical planning, physical plant, administrative, and related duties. He also serves as the University’s assistant corporate secretary and as a director of its U.K. Charity Corporation and Argentine Foundation. He joined the legal staff at Pepperdine as associate general counsel in 1982 and became general counsel in 1984. He was appointed vice president and general counsel in 2000 overseeing the University’s legal, regulatory, insurance, risk, equal opportunity, and emergency operations, as well as serving as liaison to the governing board.

S. KEITH HINKLE
Senior Vice President for Advancement and Public Affairs and Chief Development Officer

Keith Hinkle serves as senior vice president for advancement and public affairs and chief development officer for Pepperdine University. Hinkle has overall responsibility for advancement at the University including alumni affairs, annual giving, major gifts, leadership gifts, advancement services, gifts and records, corporations and foundations, planned giving, donor relations, and events. He also has responsibility for public affairs including University marketing and communications and public relations and news. Prior to serving as vice president, Hinkle was associate vice chancellor and led Pepperdine’s Center for Estate and Gift Planning for six years. Hinkle is a licensed attorney and certified public accountant in the State of California. Hinkle serves on the board of the Los Angeles Chamber of Commerce, the Church of Christ Foundation, and as vice president for Waves Services, Inc.

C. JEFF PIPPIN
Senior Vice President for Investments and Chief Investment Officer

Pippin is the senior vice president and chief investment officer for Pepperdine University. He is responsible for the management of the University’s endowment, general reserves, treasury, trust and annuities, and real estate. He is a member of the president’s cabinet and is a liaison to the Board of Regents’ Investment Committee. He also serves as president of the University’s three affiliated management and holding entities. He is a CPA and began his career at Arthur Andersen before joining Pepperdine in 1981. He is a past board member of the Commonfund, a $30 billion registered investment advisor to nonprofits, and has served on the California State Treasurer’s Advisory Committee, as well as the Investment Committee for the West Coast Athletic Conference.
LINDA A. LIVINGSTONE  
*Dean, Graziadio School of Business and Management*

Livingstone has served as dean of the Graziadio School of Business and Management since 2002. During her tenure the school has increased international partnerships to over 40 worldwide; established the E2B (Education to Business) Live Case Consulting Program; launched the Dean’s Executive Leadership Series; developed the Pepperdine Private Capital Markets Project; added degree programs in applied finance, entrepreneurship, global business, accounting, and management and leadership; launched the On-Line MBA; and added a certificate in Socially, Environmentally, and Ethically Responsible (SEER) business strategy.

RICK R. MARRS  
*Dean, Seaver College of Letters, Arts, and Sciences*

A member of the Pepperdine Religion Division faculty since 1987, Marrs was named dean of Seaver College in 2008. He served as the Blanche E. Seaver Professor of Religion from 2001 to 2006. Marrs is regarded as an exceptional scholar of the Old Testament and the literature of the ancient Near East with knowledge of Hebrew, Aramaic, Syriac, Phoenician, and Ugaritic, and in the study of the Dead Sea Scrolls.

MARK S. ROOSA  
*Dean of Libraries*

Dean of Pepperdine’s libraries since 2004, Roosa directs libraries on the Malibu campus and throughout the Los Angeles area, leading their efforts to provide seamless access to both print and digital resources essential for learning, teaching, and research. Prior to joining Pepperdine, Roosa served as director for preservation at the Library of Congress in Washington, D.C., and chief conservation officer at the Huntington Library, Art Collections, and Botanical Gardens in San Marino, California.
DEANELL REECE TACHA  
Dean, School of Law

Tacha was named the Duane and Kelly Roberts Dean of the School of Law in 2011. She has been a circuit judge, U.S. Court of Appeals for the 10th Circuit, since January 1986. She served as chief judge from January 2001 through 2007. Tacha previously served in numerous academic capacities at the University of Kansas and practiced law in Washington, D.C. She has represented the judiciary of the United States internationally on several occasions.

MARGARET J. WEBER  
Dean, Graduate School of Education and Psychology

Dean of GSEP for 12 years, Weber’s research focuses on Women in Leadership: Work-Family Integration, and she chairs several dissertation committees around this topic. This initiative held its first conference in March 2013—“Celebrating Women’s Wisdom.” She serves as director for GSEP’s master of arts in social entrepreneurship and change program, which focuses on solutions to social issues from a grassroots perspective. She continues to emphasize the role of service in support of the Christian mission of the University.

JAMES R. WILBURN  
Dean, School of Public Policy

Wilburn is the founding dean of the School of Public Policy, which was launched in 1997. He is the author of several books on American history, business management, and leadership. Having served as cochair of the U.S. Committee to Assist Russian Reform, he is widely considered an expert on the subject. Throughout his four decades at Pepperdine, Wilburn has served in several leadership roles including provost, dean of the business school, and vice president for university affairs.
Hope deferred makes the heart sick, but a desire fulfilled is a tree of life.

— PROVERBS 13:12
Message from the
Chief Financial Officer
LATE LAST WEEK A HIGHER-EDUCATION INDUSTRY RESEARCH REPORT CROSSED MY DESK with the headline, “Weakened Tuition Revenue Plagues U.S. Higher Education.” That certainly wasn’t a pleasant headline for the chief financial officer of Pepperdine University to read, and it evoked a visceral, emotional response.

We don’t use the term plague too often in this modern age. But even with all of the terrible imagery the word plague brings to mind, I also realized that this particular “plague” is probably welcome news to the vast majority of future college students. Why? The plagues of increased competitive pressures, reduced numbers of incoming college students, and increased scrutiny on the value of a college degree are all making it harder for many universities to raise their costs. As a result, in the next few years, it will likely be comparatively easier for students, and harder for universities, to afford the real costs of a college education. In such an environment, continued support from our donors and friends, particularly for student scholarships, will be increasingly important in maintaining and improving the financial health of the University.

Throughout the University, per-student net tuition revenues have increased at an average annual rate of only 2.99 percent during the past five years. As I wrote last year, this low rate of increase has occurred by design. We strive to keep the University’s tuition growth rate as low as possible in order to maintain or improve student affordability. While the gross rate of college tuition increases has been a frequent news headline, the even greater increases in institutional financial aid are markedly less known by the public. At Pepperdine, total student financial aid costs have increased at an average annual rate of 7.8 percent over the past five years. Student aid is the fastest growing expense category at the University, a fact that is likely to continue. During fiscal 2013 we distributed a record $89 million (or about $14,700 per full-time-equivalent student) of University-funded student aid, the vast majority of which is need-based. As a result of our significant investment in student aid, the average annual net tuition cost for an undergraduate education at Seaver College has grown at an average annual rate of only 1.27 percent during the past five years.
## Consolidated Statements of Financial Position

**At July 31, 2013 and 2012 (in thousands)**

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 68,941</td>
<td>$ 73,625</td>
</tr>
<tr>
<td>Student receivables, less allowance for doubtful accounts of $1,343 and $1,410, respectively</td>
<td>1,295</td>
<td>1,183</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>4,062</td>
<td>3,119</td>
</tr>
<tr>
<td>Prepaid expenses, inventories and other assets</td>
<td>5,512</td>
<td>4,903</td>
</tr>
<tr>
<td>Student loans, less allowance for loan losses of $1,599 and $1,707, respectively</td>
<td>22,749</td>
<td>23,812</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>30,597</td>
<td>28,905</td>
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<tr>
<td>Investments</td>
<td>830,726</td>
<td>767,261</td>
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<tr>
<td>Assets held as trustee or agent</td>
<td>123,843</td>
<td>124,459</td>
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<tr>
<td>Property, facilities, and equipment, net</td>
<td>362,409</td>
<td>341,180</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 1,450,134</td>
<td>$ 1,368,447</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

#### Liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 28,855</td>
<td>$ 15,730</td>
</tr>
<tr>
<td>Accrued salaries and wages</td>
<td>3,579</td>
<td>3,364</td>
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<tr>
<td>Student deposits, advance payments, and deferred revenue</td>
<td>9,977</td>
<td>10,012</td>
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<tr>
<td>Asset retirement obligations</td>
<td>5,912</td>
<td>5,720</td>
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<tr>
<td>U.S. government-funded student loans</td>
<td>15,340</td>
<td>15,006</td>
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<tr>
<td>Trust and agency obligations</td>
<td>70,754</td>
<td>74,951</td>
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<tr>
<td>Long-term obligations</td>
<td>238,750</td>
<td>239,422</td>
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<tr>
<td>Total liabilities</td>
<td>373,167</td>
<td>364,205</td>
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</table>

#### Net assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>630,777</td>
<td>595,418</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>118,605</td>
<td>103,043</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>327,585</td>
<td>305,781</td>
</tr>
<tr>
<td>Total net assets</td>
<td>1,076,697</td>
<td>1,004,242</td>
</tr>
</tbody>
</table>

Total liabilities and net assets                                             $ 1,450,134 | $ 1,368,447
In order to increase their rate of net tuition revenue growth, many universities have simply increased their student enrollment base. Here at Pepperdine we have chosen to employ the fiscal discipline necessary to free ourselves from the typical dependency on ever-increasing student enrollment to meet basic operational needs. With sound fiscal management, the University has been able to generate both strong operating and cash-flow margins, while at the same time reducing full-time-equivalent student enrollments from the peak level of 6,363 in fiscal 2004. For fiscal 2013, the University’s full-time-equivalent student base of 6,068 was virtually unchanged from five years ago at 6,055 during fiscal 2008. We don’t measure success by the increasing size of our student enrollment, but through the ways we enrich and encourage every student who enters our care. Our low student-to-faculty ratio and small class sizes are a comparatively expensive way to teach, but we believe that is the best way for our faculty to engage students and help transform their lives.

The University’s endowment funds ended fiscal 2013 at $716 million, nearly matching the all-time high achieved in 2007. Since increasing the level of operating support we receive from the endowment is critical to the future success of the University, we decided to transfer over $51 million of accumulated University reserves into quasi-endowment funds. These funds have been internally committed to long-term investments that will generate increased endowment support to operations for years to come. Even in the wake of the extreme volatility our endowment has experienced over the past five years, the operating support the endowment has provided to University operations has increased every year since 2007 from $26 million to over $33 million in fiscal 2013.

Of all of the plague images that came to my mind, none was more paramount than the sufferings of Egypt’s people under a proud and unmerciful pharaoh. That series of plagues led ultimately to the fulfillment of a promise God had made years before. I am confident that God will likewise fulfill the promises he has made to us as well. Our faith remains in Him.

Paul B. Lasiter, CPA  
Vice President and  
Chief Financial Officer
# PEPPERDINE UNIVERSITY
## Consolidated Statement of Activities
### For the year ended July 31, 2013 (in thousands)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student tuition and fees</td>
<td>$280,531</td>
<td>$ –</td>
<td>$ –</td>
<td>$280,531</td>
</tr>
<tr>
<td>Less student aid</td>
<td>$(88,797)</td>
<td>$ –</td>
<td>$ –</td>
<td>$(88,797)</td>
</tr>
<tr>
<td>Net student tuition and fees</td>
<td>191,734</td>
<td>$ –</td>
<td>$ –</td>
<td>191,734</td>
</tr>
<tr>
<td>Room and board</td>
<td>34,675</td>
<td>$ –</td>
<td>$ –</td>
<td>34,675</td>
</tr>
<tr>
<td>Private gifts and grants</td>
<td>12,098</td>
<td>5,171</td>
<td>4,265</td>
<td>21,534</td>
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<tr>
<td>Endowment support</td>
<td>32,855</td>
<td>$ –</td>
<td>365</td>
<td>33,220</td>
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<tr>
<td>Government grants</td>
<td>3,546</td>
<td>$ –</td>
<td>$ –</td>
<td>3,546</td>
</tr>
<tr>
<td>Sales and services</td>
<td>7,032</td>
<td>$ –</td>
<td>$ –</td>
<td>7,032</td>
</tr>
<tr>
<td>Other revenue</td>
<td>5,455</td>
<td>4,621</td>
<td>614</td>
<td>10,690</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>$8,890</td>
<td>$(8,890)</td>
<td>$ –</td>
<td>$(8,890)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$296,285</td>
<td>$902</td>
<td>$5,244</td>
<td>$302,431</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction and research</td>
<td>86,348</td>
<td>$ –</td>
<td>$ –</td>
<td>86,348</td>
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<tr>
<td>Academic support</td>
<td>51,670</td>
<td>$ –</td>
<td>$ –</td>
<td>51,670</td>
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<tr>
<td>Student services</td>
<td>48,381</td>
<td>$ –</td>
<td>$ –</td>
<td>48,381</td>
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<tr>
<td>Public service</td>
<td>14,168</td>
<td>$ –</td>
<td>$ –</td>
<td>14,168</td>
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<tr>
<td>Auxiliary enterprises</td>
<td>26,331</td>
<td>$ –</td>
<td>$ –</td>
<td>26,331</td>
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<tr>
<td>Management and general</td>
<td>52,609</td>
<td>$ –</td>
<td>$ –</td>
<td>52,609</td>
</tr>
<tr>
<td>Membership development</td>
<td>2,036</td>
<td>$ –</td>
<td>$ –</td>
<td>2,036</td>
</tr>
<tr>
<td>Fundraising</td>
<td>7,431</td>
<td>$ –</td>
<td>$ –</td>
<td>7,431</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$288,974</td>
<td>$ –</td>
<td>$ –</td>
<td>$288,974</td>
</tr>
</tbody>
</table>

| Change in net assets before nonoperating revenues and expenses | 7,311 | 902 | 5,244 | 13,457 |

<table>
<thead>
<tr>
<th>NONOPERATING REVENUES AND EXPENSES</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial adjustment</td>
<td>$ –</td>
<td>4,090</td>
<td>$(76)</td>
<td>4,014</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Dividends</td>
<td>6,773</td>
<td>2,016</td>
<td>7</td>
<td>8,796</td>
</tr>
<tr>
<td>Interest</td>
<td>299</td>
<td>8</td>
<td>83</td>
<td>390</td>
</tr>
<tr>
<td>Other</td>
<td>6,731</td>
<td>$ –</td>
<td>3</td>
<td>6,734</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>$(3,018)</td>
<td>$(965)</td>
<td>$ –</td>
<td>$(3,983)</td>
</tr>
<tr>
<td>Net realized and unrealized investment losses</td>
<td>17,806</td>
<td>7,526</td>
<td>14,424</td>
<td>39,756</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>1,362</td>
<td>$ –</td>
<td>$ –</td>
<td>1,362</td>
</tr>
<tr>
<td>Other</td>
<td>$(1,905)</td>
<td>1,985</td>
<td>2,119</td>
<td>2,199</td>
</tr>
<tr>
<td>Total nonoperating revenues and expenses</td>
<td>28,048</td>
<td>14,660</td>
<td>16,560</td>
<td>59,268</td>
</tr>
</tbody>
</table>

| Change in net assets | 35,359 | 15,562 | 21,804 | 72,725 |
| Net assets at beginning of year | $595,418 | $103,043 | $305,781 | $1,004,242 |
| Net assets at end of year | $630,777 | $118,605 | $327,585 | $1,076,967 |
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The 40-member Board of Regents is the legal governing body and chief policy board of the University. Life Regents are recognized and honored for their extraordinary service as past regents. The University administration works with the Board of Regents to shape policy and direction for the University. The leadership provided by these distinguished and committed men and women is greatly valued.

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Jerve M. Jones

Charles B. Runnels

Richard M. Scaife

Thomas J. Trimble

William R. Waugh

J. McDonald Williams

Helen M. Young ('39)

*Nonvoting Regents*
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The Pepperdine University Board is comprised of business, professional, and civic leaders who demonstrate their confidence in the University’s distinctive mission. Quarterly meetings provide an opportunity for members to offer counsel and guidance on important policy matters and to hear timely reports from the president, administrators, professors, and students.
Statement of Affirmation

PEPPERDINE UNIVERSITY 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.