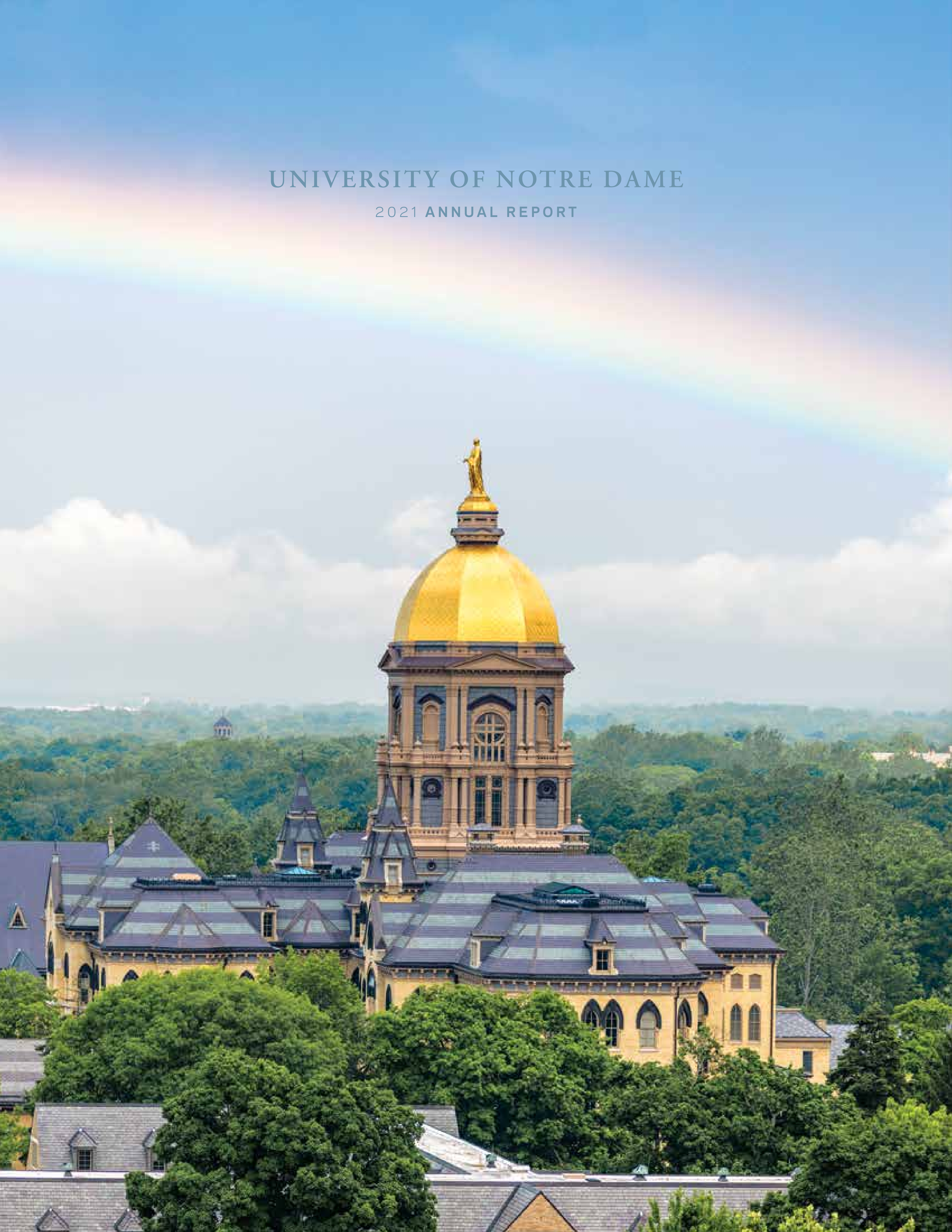
UNIVERSITY OF NOTRE DAME

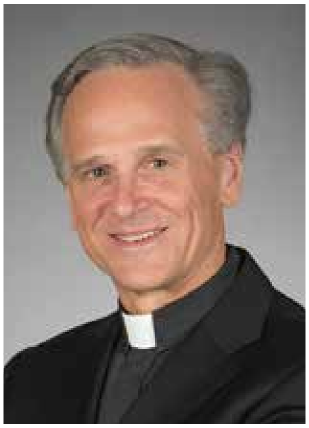
2021 **ANNUAL REPORT**



2021 Annual Report
Contents

MESSAGE FROM THE PRESIDENT

REV. JOHN I. JENKINS, C.S.C.



In May 2020, I explained in a *New York Times* op-ed our plan and rationale for bringing back our full population of students for in-person instruction for the 2020–21 academic year. There were indeed risks, and we understood that we were taking on the daunting task of keeping our students, faculty, and staff as safe as possible amid a global pandemic. Yet our mission puts the education of the whole person—body, mind, and spirit—at the heart of our work. I just did not think we could provide such an education if our students were at home, connected only virtually to their instructors and fellow students and to the extraordinary array of resources and opportunities the University provides. Central to the education we seek to provide are the personal interactions between students in our residence halls, dining halls, and chapels, and with our remarkable faculty in classrooms, labs, and studios. We were equally committed, of course, to supporting the groundbreaking research of our world-class scholars and researchers and ensuring they would be able to continue their work—so foundational to Notre Dame's mission to be a force for good in the world—with as few disruptions as possible.

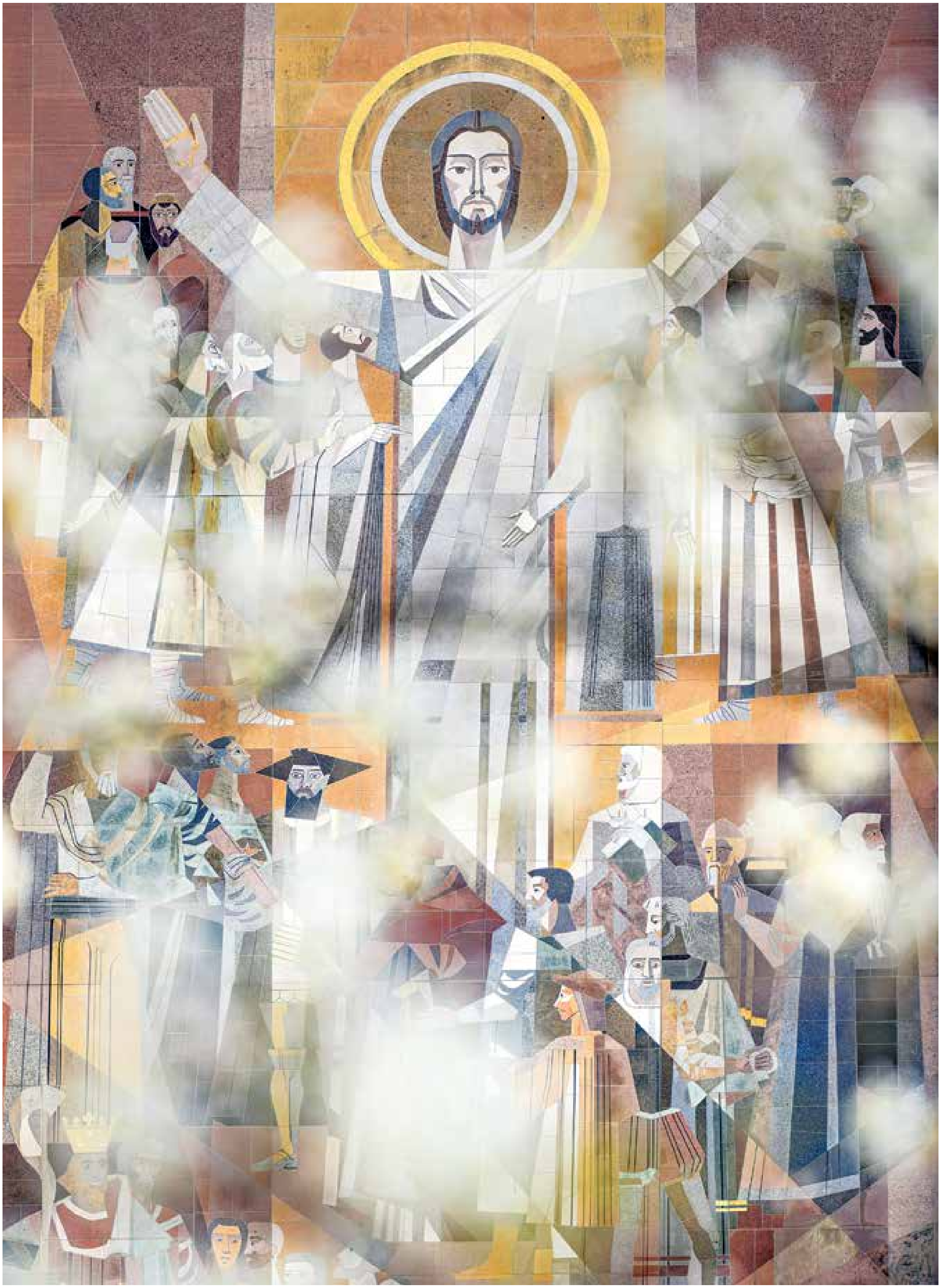
Shortly after our announcement, other schools announced that they were taking a more cautious approach. I realized soon that Notre Dame, where more than 80 percent of our classes were in person last academic year, was "out there." Nonetheless, we followed the very best public health advice we could find, and while we encountered a few bumps in the road, we were able to offer our students a very successful year of education on campus, thanks to the efforts of a great many people.

I cannot say enough about the remarkable dedication, generosity, and leadership of the countless University colleagues who worked tirelessly to make last year possible as we instituted the necessary health protocols. Special thanks are due to our faculty, who demonstrated so beautifully their great commitment to teaching and their extraordinary care for our students. Our students also rose to the occasion in wonderful ways. Despite the many health and safety restrictions, campus life was as vibrant as it could be as our students embraced new outdoor venues and found new, safe ways to build that sense of community and connection which Notre Dame has long prized.

Critical to any success we had were the commitment of faculty and staff to our central mission, and the faith at the heart of Notre Dame that tells us we can go through struggle and hardship and emerge on the other side. We also had the benefit of great partners in public health, who guided our decision-making based on the emerging science of COVID-19. And we had the unfailing support of our Board Chair, Jack Brennan, and the University's Board of Trustees; a leadership team that met every challenge with creativity, vision, and courage; and benefactors and friends whose great generosity has made it possible for the University to make tremendous progress in many exciting ways while also meeting the needs of these unprecedented times.

The report that follows details the remarkable financial stewardship of our Executive Vice President, Shannon Cullinan, and his team. I am deeply grateful for their extraordinary efforts, which allowed us to meet the financial aid needs of our students and their families impacted by the pandemic, avoid any staff layoffs or furloughs, deliver a balanced budget, and benefit from exceptional growth in our endowment.

Even as we continue to adjust in uncertain times, Notre Dame is well positioned—thanks to sound fiscal decision-making over many years—to advance its distinctive mission and to have an ever greater impact as we seek to be a force for good for a world deeply in need.



Statistical Highlights

	2021	2020	2019	2018	2017
					Academic Years Ending May
Students					
Undergraduate	8,874	8,732	8,617	8,576	8,530
Graduate and professional	3,935	3,951	3,990	3,891	3,863
Total fall enrollment	12,809	12,683	12,607	12,467	12,393
Admissions					
Undergraduate					
Applications	21,253	22,200	20,371	19,564	19,505
Offers of admission	4,035	3,515	3,608	3,702	3,654
Enrolled	2,193	2,051	2,070	2,051	2,046
Selectivity	19.0%	15.8%	17.7%	18.9%	18.7%
Yield	54.3%	58.3%	57.4%	55.4%	56.0%
Graduate School [1]					
Master's level					
Applications	1,427	1,445	1,415	1,453	1,157
Offers of admission	333	330	286	257	171
Enrolled	170	216	190	190	111
Selectivity	23.3%	22.8%	20.2%	17.7%	14.8%
Yield	51.1%	65.5%	66.4%	73.9%	64.9%
Doctoral level					
Applications	4,242	3,970	3,790	3,749	3,390
Offers of admission	731	735	730	690	648
Enrolled	301	323	321	345	301
Selectivity	17.2%	18.5%	19.3%	18.4%	19.1%
Yield	41.2%	43.9%	44.0%	50.0%	46.5%
Degrees Conferred [2]					
Baccalaureate	2,209	2,223	2,080	2,173	2,146
Master's (includes MBA)	1,047	1,160	1,129	1,003	1,062
Juris Doctorate	183	201	192	206	206
Doctorate-Research	239	239	242	281	239
Total degrees conferred	3,678	3,823	3,643	3,663	3,653
Undergraduate Tuition Rate	$ 57,192	$ 55,046	$ 52,884	$ 50,998	$ 49,178
Percent increase over prior year	3.9%	4.1%	3.7%	3.7%	3.7%

1 *Does not include Graduate Architecture, Business, or Law*
2 *Includes degrees awarded in all categories*

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

SHANNON B. CULLINAN

When the University's Board of Trustees approved the budget for fiscal year 2021, the scope and duration of the pandemic, then in its infancy, were yet unknown. Its toll on people, institutions, and the economy was already mounting. Despite so much being outside our control, we committed to policies that were intentional in protecting both our mission and the campus and local communities.

The following priorities have guided our financial decision-making in fiscal year 2021 and beyond: the unabated advancement of our teaching and research activities; the safeguarding of the health and well-being of students, faculty, and staff; and the preservation of a longstanding commitment to meeting the full financial need of our students. This report is a testament to the significant efforts put forth, and great graces received while pursuing these priorities.

We faced a number of pandemic-related challenges at the outset of the fiscal year. For the second straight year, the University saw declining auxiliary revenue from closed or reduced campus operations. Spending mitigations put into place during the initial phase of the pandemic were extended, including freezes on hiring, as well as the elimination of most University-sponsored travel and all non-essential spending. These mitigations, in addition to continued strong benefaction from our exceptionally generous donors, allowed the University to support the one-time investments required for testing and contact tracing, quarantine and isolation, hybrid instruction, and a myriad of other technology solutions.

Balancing the budget while pursuing our key priorities was made possible through the skillful enterprise, sacrifice, and generosity of many individuals in the broader Notre Dame family. I thank our students, faculty, and staff for their flexibility in adopting new protocols and procedures that enabled our return to the classroom last fall. Their courageous leadership and resiliency in the face of unprecedented changes to campus life are inspiring. Our benefactors carried on a strong tradition of unrestricted and endowment gifting that has permitted us to fulfill significant and immediate financial obligations while also continuing to plan boldly for the future.

We also owe a great debt of gratitude to our investment team. Their stewardship of the Notre Dame Endowment—reflecting a potent combination of careful leadership, humility, and discipline—helped lead us to extraordinary investment returns during a volatile year. Our investment partners have, likewise, played a central role in delivering superior results across various asset classes.

The ultimate value of the endowment, of course, is the difference it makes in the affordability, accessibility, and excellence of a Notre Dame education. Financial aid is the single largest beneficiary of the endowment; 42 percent of our operating endowment spending was directed to student aid in fiscal year 2021. These resources have a transformational impact and allow us to fulfill our goal of attracting students who truly reflect the racial, ethnic, and socioeconomic diversity of our Church, our nation, and our world.

The endowment also furnishes vital support for our core educational mission, by funding dozens of faculty chairs, extensive library holdings, and a multitude of research centers and institutes that advance Notre Dame's mission to be a force for good. Endowment performance—and the philanthropy that undergirds it—makes it possible for Notre Dame to lend its distinctive voice to the most pressing issues of our day. This has never seemed more crucial than at present.

Emerging from and advancing our mission during this incredibly challenging period is a success shared by every member of the Notre Dame community. It demands ingenuity, unwavering dedication, and the careful and strategic stewardship of the many gifts we have been given. It has been and will continue to be, in every sense, a team effort. The Constitutions of the Congregation of Holy Cross, the University's founding order, state: "The footsteps of those who called us to walk in their company left deep footprints, as of those carrying a heavy burden. But they did not trudge, they strode. For they had hope." We are grateful to Mary, Our Patroness, to those who came before us, and to all who support the University, as we stride ahead in hope.

Shannon Cullinan

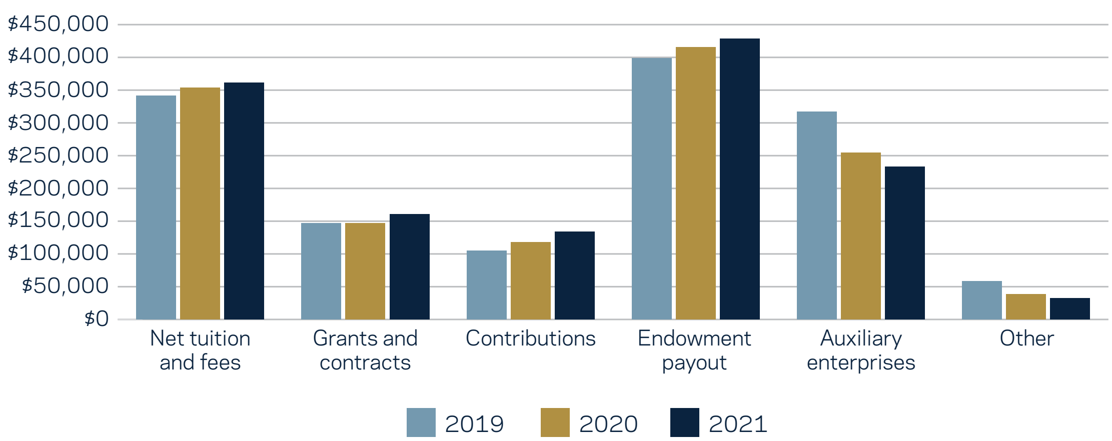
Financial Overview

Despite the unique challenges presented by the coronavirus pandemic, the University ended fiscal year 2021 with positive financial performance. These operational results were primarily driven by strong enrollment, benefaction, endowment payout, and reduced expenses.

OPERATING REVENUES

Overall operating revenues grew by $24 million from 2020. Net tuition and grant revenues grew in line with expectations as the University managed to conduct in-person instruction throughout the year and research activities fully resumed following the partial campus shutdown during the fourth quarter of 2020. Contributions for operations remained strong in 2021 thanks to generous support from benefactors. Given the uncertainty of the pandemic's effects, the University elected to hold the endowment payout rate steady heading into 2021. The increase reflected in *Chart 1* is primarily the result of new endowments that came online during the fiscal year.

Chart 1–Operating Revenues by Source (in thousands)

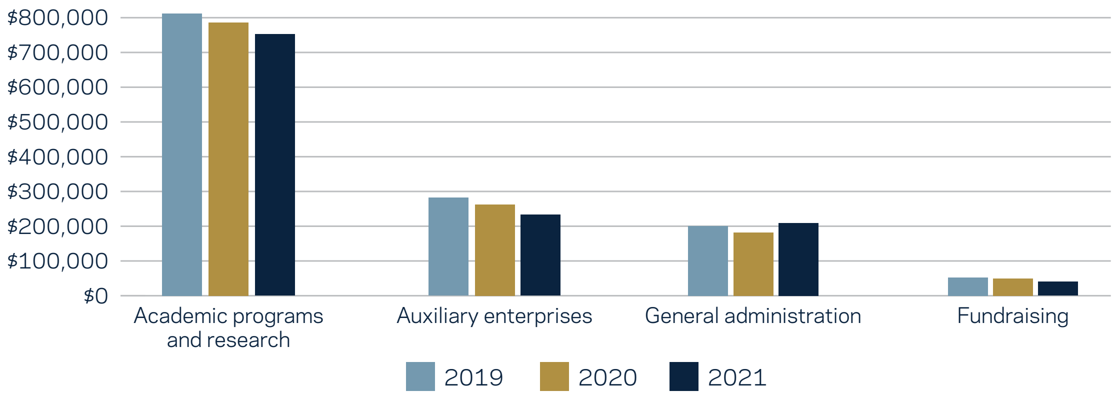


Pandemic-related protocols disrupted many of the services and activities that are part of campus life in a normal year. Thus, except for student housing and dining, most revenue streams within auxiliary enterprises remained below pre-pandemic levels due to limited in-person attendance at athletics competitions, forgone campus events, and reduced hospitality services and bookstore sales. The decline in hospitality services revenues also reflects the use of campus hotel space to house students for part of the year and reduced demand at retail dining locations.

OPERATING EXPENSES

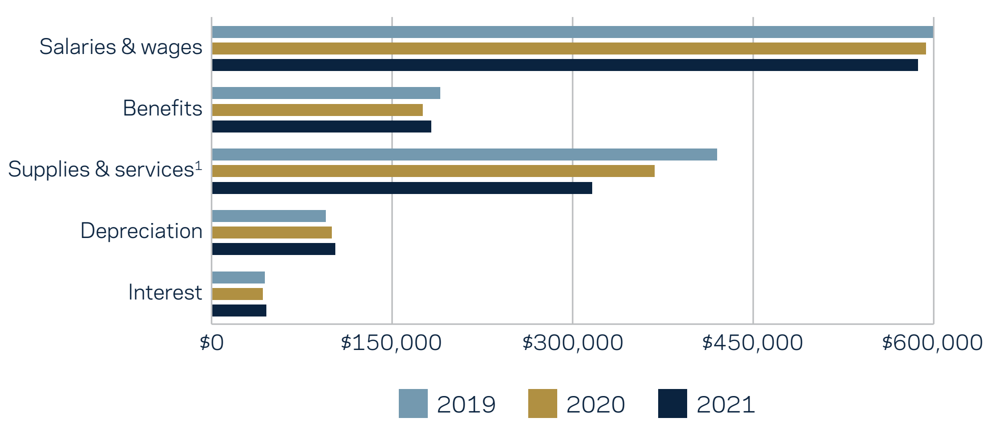
The proportion of 2021 operating expenses within each functional area remained largely consistent with recent years. Pandemic-related spending restrictions described below, which were implemented in the fourth quarter of the prior year and carried over to 2021, reduced expenses across each of the functional areas. However, decreases in general administration expenses were outweighed by costs directly related to the University's pandemic response, such as COVID-19 testing and other safety measures, resulting in a net year-over-year increase within this function.

Chart 2–Operating Expenses by Function (in thousands)



The impact on operating expenses from policies implemented in response to the pandemic was primarily concentrated in the areas of compensation and supplies and services, which affected each functional area. Thus, the $46 million year-over-year net decline in operating expenses, as well as the contrast with pre-pandemic expense levels experienced in 2019, is displayed more prominently in *Chart 3*, which illustrates comparative operating expenses by natural classification (e.g., salaries, benefits, depreciation, etc.).

Chart 3–Operating Expenses by Natural Classification (in thousands)



[1] *Includes non-labor expenses such as various supplies and non-capitalized equipment, professional services, travel, etc.*

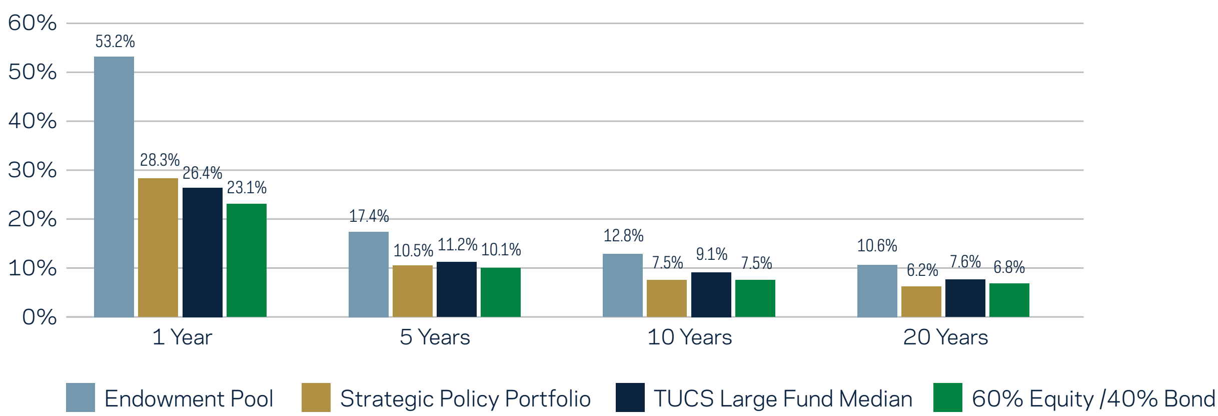
The University maintained the hiring and wage freeze implemented at the pandemic's onset in 2020 throughout 2021. Salaries and wages were slightly less than in the prior year, mainly due to the reduced need for temporary event-related staff. The decrease in supplies and services generally reflects a lower level of on-campus activity; despite conducting in-person instruction and research activities, staff in most administrative functions worked remotely during the year. Aside from this decrease in campus activity, policies to limit non-essential spending and place a moratorium on travel are again driving the decrease in supplies and services expenses. These policies were primarily implemented in the final quarter of 2020, but a full year's impact is reflected in the 2021 expense levels. These cost savings outweighed expenses directly associated with pandemic-related safety measures, such as the quarantine and isolation of students and robust testing and contact tracing programs undertaken during the year.

INVESTMENT REVIEW

The Endowment Pool's 53.2% investment return was the second-highest one-year return in the Pool's history, with strong performance across all asset classes relative to their respective benchmarks. Given the proportion of the University's assets held in the Endowment Pool, the return had a significant impact on the financial statements and is the primary driver of the nearly $7 billion increase in overall net assets. Endowment funds, the payout from which provides a critical stream of annual operating resources for financial aid and other mission-related programs, are by far the main beneficiary of the Pool's performance, but the return also augments charitable remainder trusts and assets held on behalf of the University's religious affiliates invested in the Pool.

Given its role in providing funding for the University's mission in perpetuity, the Endowment Pool has a long-term investment horizon. Performance is measured against various total-pool benchmarks, and results for the fiscal year and over longer-term periods as of the end of 2021 are shown below.

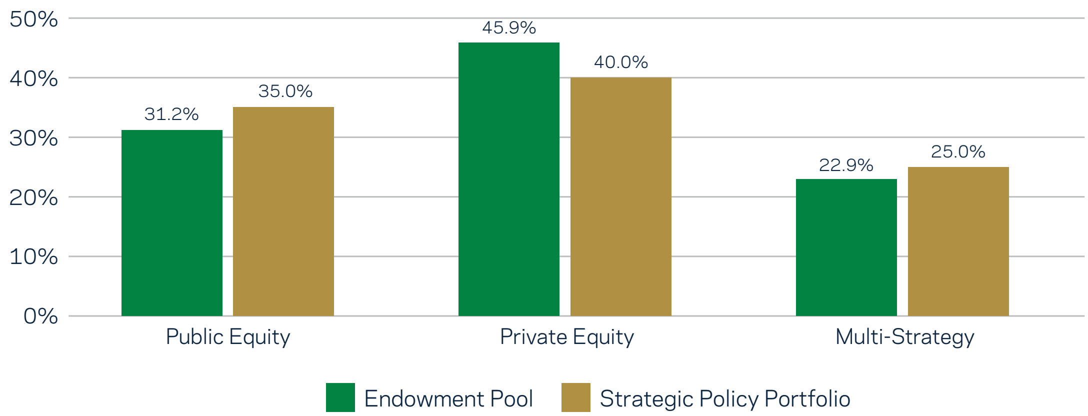
Chart 4–Endowment Pool Investment Performance (annualized returns)



Notre Dame Endowment Pool returns are net of investment managers' fees. The Strategic Policy Portfolio is Notre Dame's internal benchmark relative to the target investment portfolio. The Trust Universe Comparison Service (TUCS) Large Fund Median is a compilation of returns of endowment, pension, and foundation investors greater than $1 billion and thus provides a basis for comparison to the performance of large institutional investors generally. The 60/40 mix is an index blend of stocks/bonds as represented by the MSCI All Country World Investable Index and the Barclays Capital US Aggregate Bond Index and thus is a measure of performance compared to a more traditional or retail portfolio.

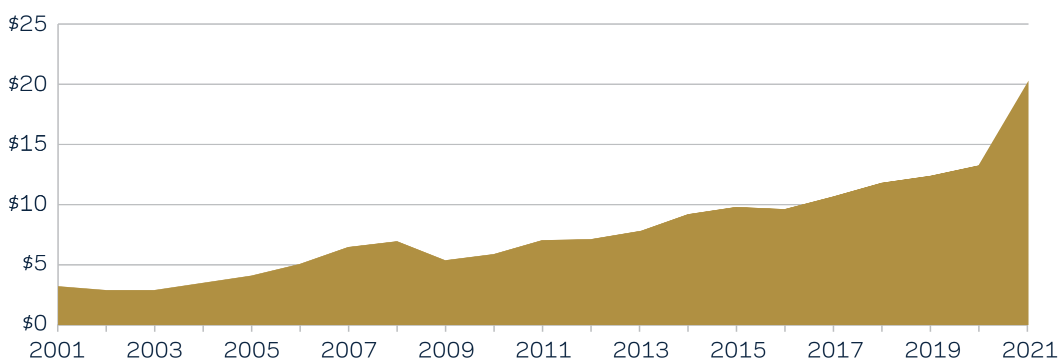
The investment portfolio is highly diversified across strategies, sectors, and geographies with a high allocation to equities for growth to support University finances. To further diversify exposure to public and private equities, the multi-strategy portfolio provides allocations to a variety of other assets and risk-reducing approaches with return streams less correlated to the equity markets.

Chart 5–Endowment Pool Asset Allocation as of June 30, 2021



The investment return for the year coupled with inflows to the Endowment Pool primarily from contributions, net of endowment payout, resulted in a year-end market value of $20.3 billion, excluding assets held on behalf of religious affiliates.

Chart 6–Endowment Pool[1] Market Value (in billions)

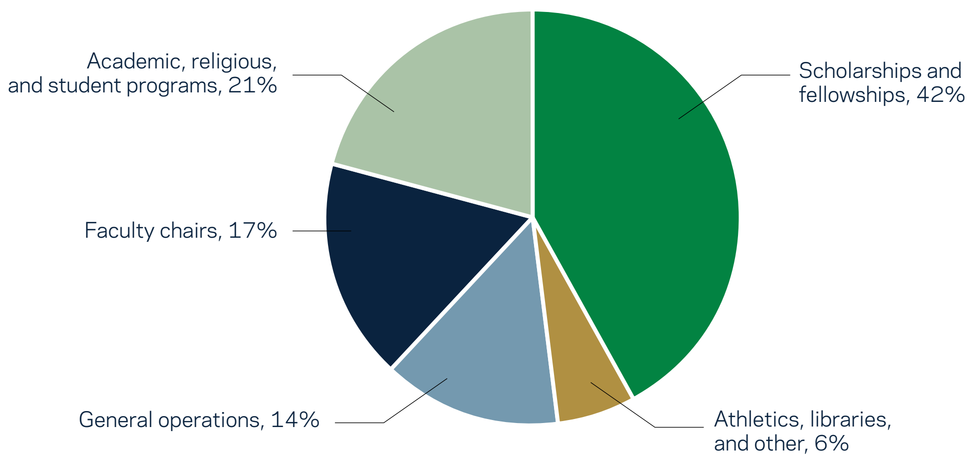


[1]*Excludes assets held on behalf of religious affiliates.*

Accumulated Endowment Pool returns totaling $459 million were distributed for spending during 2021, $429 million of which provided support for operating purposes with the remainder supporting campus infrastructure projects. As illustrated in *Chart 1*, annual payout from endowment constitutes the University's largest individual source of operating revenues. Growth in endowment payout mitigates pressures on tuition rates and provides a key source of direct funding for financial aid and many other programs. However, given that nearly two-thirds of endowment payout carries a donor restriction that limits its use to a specific programmatic purpose, tuition revenue remains a critical source of *flexible* operating revenue.

In terms of the types of programs supported by endowment payout, financial aid remains by far the largest single area. More than 40% of the endowment payout for 2021 operations directly supported scholarships and fellowships, which is critical to maintaining need-blind admissions and the commitment to meet full undergraduate financial need.

Chart 7–2021 Endowment Payout for Operations

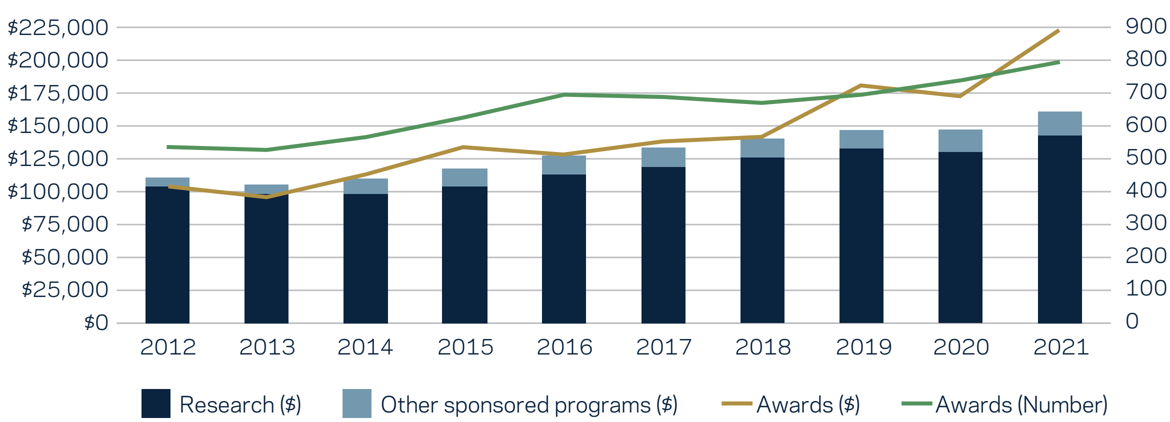


Despite the volume of direct endowment support for financial aid, approximately one-third of the $357 million in scholarships and fellowships awarded in 2021 was covered by allocations from the University's general operating budget. Thus, the 14% portion of endowment payout designated for general operations also contributed to maintaining the level of financial assistance to students.

RESEARCH AND SPONSORED PROGRAMS

Following a brief pause during the fourth quarter of 2020 due to the pandemic, sponsored research at Notre Dame resumed its trend of steady growth in 2021. The University received more than 800 new awards totaling $223 million, each mark representing the highest totals in its history.

Chart 8–Grants and Contracts Revenues and Awards ($ in thousands)

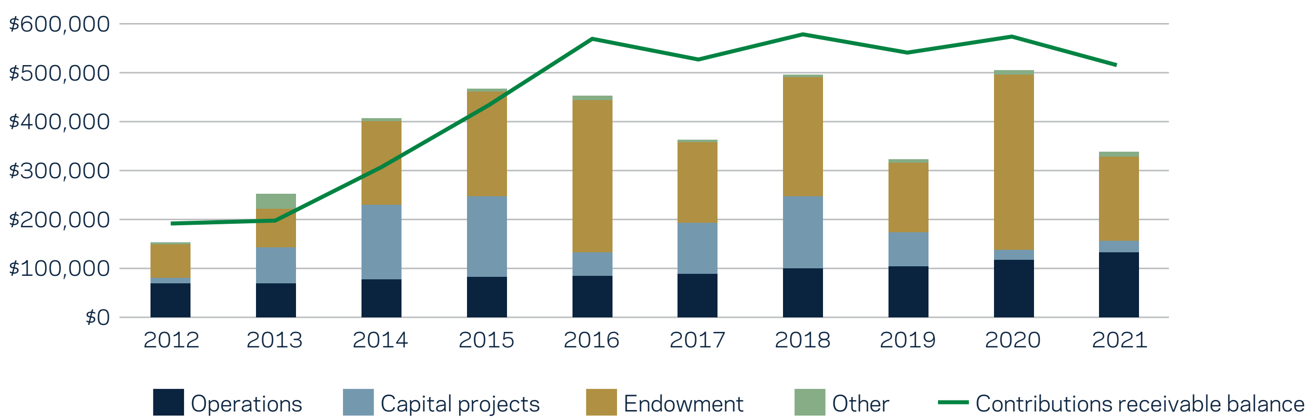


Total grants and contracts revenues increased by $14 million, from $147 million in 2020 to $161 million in 2021, the bulk of which was research-related. Federal agencies such as the National Science Foundation and Department of Health and Human Services continued to account for more than 70% of sponsored programs support.

PHILANTHROPIC SUPPORT

Contributions revenue and contributions receivable balances reflect the generosity of the University's benefactors. As illustrated in *Chart 9*, the tremendous response to the *Boldly Notre Dame* campaign (2014–2020) is demonstrated in the volume of giving over that timeframe.

Chart 9–GAAP-Basis Contributions and Contributions Receivable (in thousands)

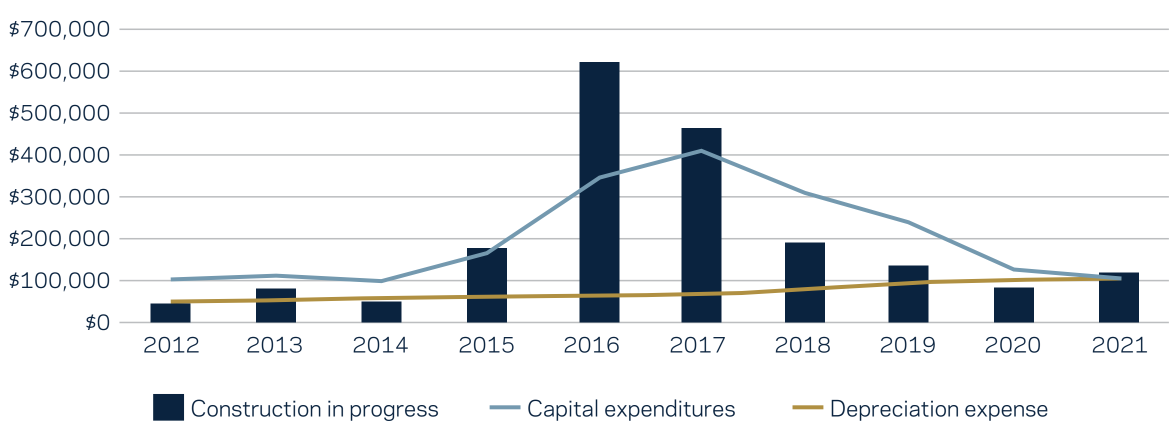


Contributions for operations provide a steady annual source of expendable funding. Non-operating contributions, which primarily represent gifts for investment in endowment and capital projects, are more variable from year-to-year in mix and volume. For example, the level of capital project contributions corresponds with the historic expansion of campus facilities depicted in *Chart 10*. Post-campaign contributions receivable balances reflect the natural transition from the generation phase to collections following the campaign.

CAMPUS FACILITIES

Due to the pandemic's uncertain financial impact, most construction and renewal activities were paused during the fourth quarter of 2020. Capital spending has slowly returned, but remained at lower than typical levels in 2021. Pandemic-related disruptions aside, capital spending also reflects a planned return to more traditional levels following a significant expansion of campus facilities, including the Campus Crossroads project placed into service in 2018.

Chart 10–Construction in Progress, Capital Expenditures, and Depreciation (in thousands)



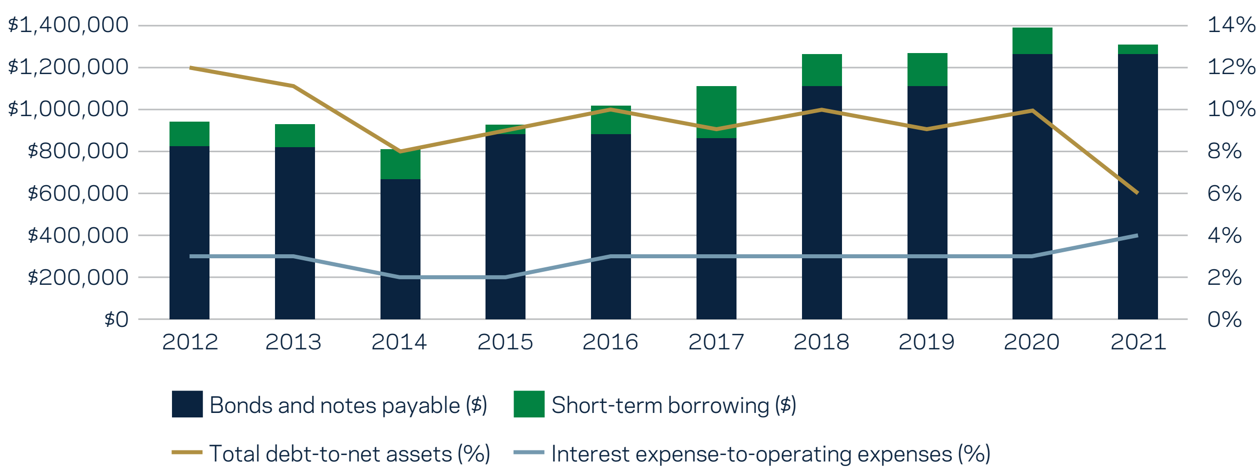
Construction in progress at June 30, 2021, included new academic and conference facilities and a hydroelectric generation facility on the nearby St. Joseph River that is expected to generate approximately 7% of the University's annual electricity needs.

LIQUIDITY AND FINANCING

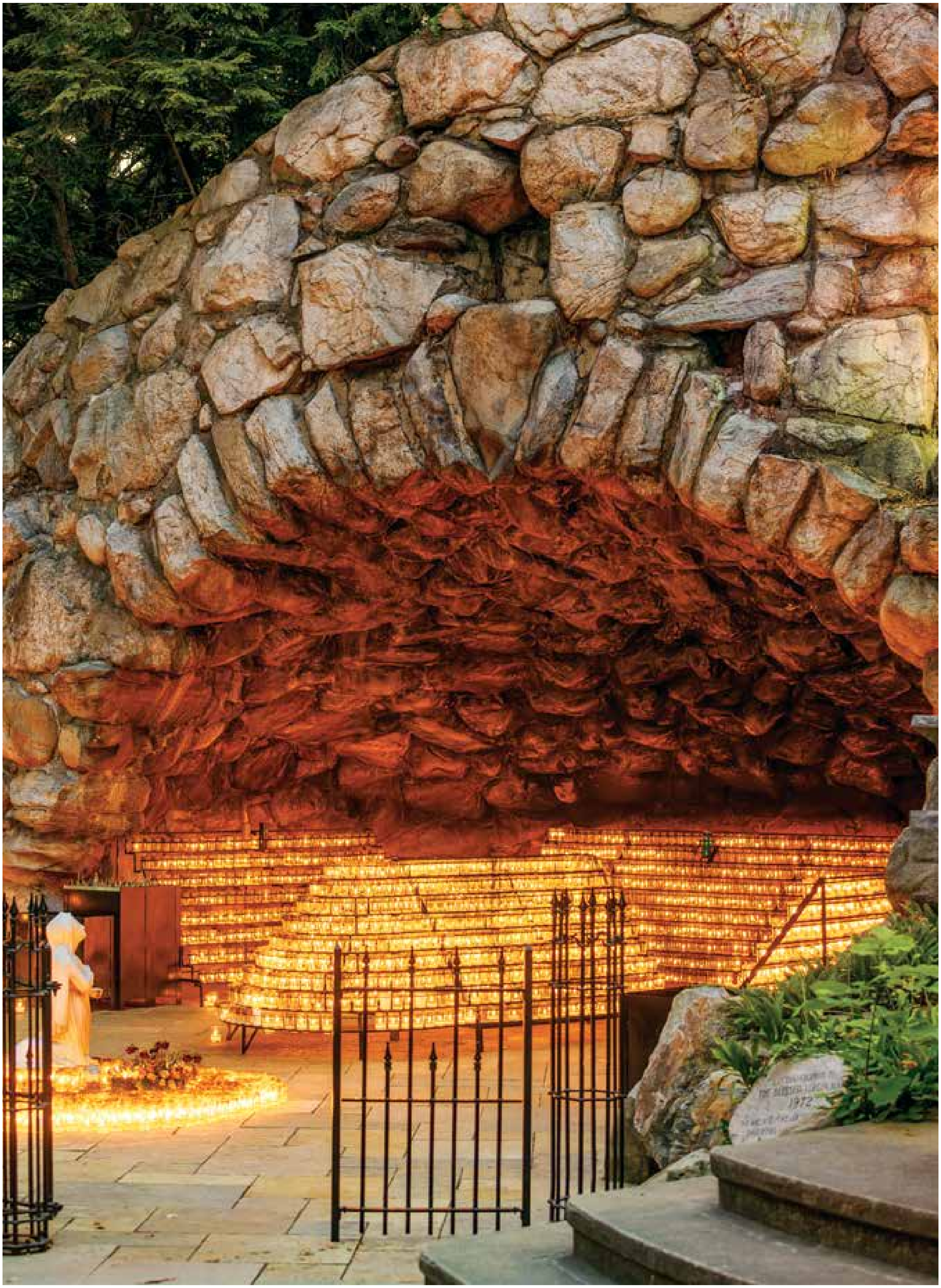
At the onset of the coronavirus pandemic in 2020, Notre Dame took several steps to augment its operational liquidity in the face of uncertainty about cash flow and financial markets in general. These measures included a $125 million short-term bank loan and an expansion of lines of credit with commercial banks to provide an incremental $300 million in short-term borrowing capacity. The proceeds from the loan were utilized as a source of operational liquidity over the first three quarters of 2021, which reduced the need to access other short-term borrowing facilities. The $125 million loan was repaid in the spring of 2021, however, and borrowing capacity under lines of credit was scaled back by $100 million as the University continued to optimize its liquidity resources.

The University also issued $155 million in Taxable Fixed Rate bonds and entered into two forward-starting fixed payer interest rate swaps in 2020 to take advantage of the historically low interest rate environment and its Aaa credit rating, which was affirmed by Moody's in April 2020. The University made no changes to its long-term debt portfolio in 2021. Of note, however, is that changes in the market value of existing forward-starting interest rate swaps that lock in fixed rates in anticipation of future bond issues resulted in a non-operating mark-to-market gain of $83 million.

Chart 11–Total Debt ($ in thousands) with Selected Ratios (%)



Despite growth in the University's total debt over the past decade, the ratio of debt to net assets and the cost of financing as a percentage of operating expenses have remained relatively consistent. However, the historic return on investments in 2021 is evident in this year's dramatic reduction in the ratio of debt to net assets.



Consolidated Financial Statements

Report of Independent Accountants

To the Board of Trustees

University of Notre Dame du Lac

We have audited the accompanying consolidated financial statements of the University of Notre Dame du Lac and its subsidiaries (the “University”), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of changes in net assets, of functional expenses, and of cash flows for the years then ended.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Notre Dame du Lac and its subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chicago, Illinois

November 15, 2021

Consolidated Statements of Financial Position

(in thousands)

	As of June 30	
	2021	**2020**
Assets		
Cash and cash equivalents	$ 148,031	$ 214,495
Accounts receivable, net (*Note 3*)	68,011	69,797
Deferred charges and other assets (*Note 4*)	117,559	44,857
Contributions receivable, net (*Note 5*)	515,474	573,815
Notes receivable, net (*Note 6*)	19,013	20,545
Investments (*Note 7*)	22,845,772	14,961,392
Land, buildings, and equipment, net of accumulated depreciation (*Note 8*)	2,549,285	2,528,718
TOTAL ASSETS	$ 26,263,145	$ 18,413,619
Liabilities		
Accounts payable	$ 92,639	$ 42,975
Short-term borrowing (*Note 9*)	43,003	125,000
Deferred revenue and refundable advances (*Note 10*)	168,469	146,773
Deposits and other liabilities (*Note 11*)	304,814	290,171
Liabilities associated with investments (*Note 7*)	2,494,892	1,672,603
Obligations under split-interest agreements (*Note 17*)	311,957	206,204
Bonds and notes payable (*Note 12*)	1,264,576	1,265,597
Pension and other postretirement benefit obligations (*Note 14*)	104,218	170,803
TOTAL LIABILITIES	4,784,568	3,920,126
Net Assets		
Without donor restrictions (*Note 15*)	9,756,218	6,449,993
With donor restrictions (*Note 15*)	11,722,359	8,043,500
TOTAL NET ASSETS	21,478,577	14,493,493
TOTAL LIABILITIES AND NET ASSETS	$ 26,263,145	$ 18,413,619

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
			Years ended June 30	
Operating Revenues and Other Additions				
Net tuition and fees (*Note 18*)	$ 361,173	$ -	$ 361,173	$ 353,452
Grants and contracts (*Note 19*)	160,798	-	160,798	147,232
Contributions	53,091	80,604	133,695	117,673
Endowment payout (*Note 16*)	149,591	279,290	428,881	415,330
Sales and services of auxiliary enterprises (*Note 20*)	233,079	-	233,079	254,807
Other sources	32,834	-	32,834	38,344
TOTAL OPERATING REVENUES	990,566	359,894	1,350,460	1,326,838
Net assets released from restrictions (*Note 15*)	301,375	(301,375)	-	-
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,291,941	58,519	1,350,460	1,326,838
Operating Expenses	(1,234,582)	-	(1,234,582)	(1,280,130)
INCREASE IN NET ASSETS FROM OPERATIONS	57,359	58,519	115,878	46,708
Non-Operating Changes in Net Assets				
Contributions	21,247	183,525	204,772	378,597
Investment return (*Note 7*)	3,185,507	3,714,224	6,899,731	879,454
Endowment payout (*Note 16*)	(149,591)	(279,290)	(428,881)	(415,330)
Net gain/(loss) on debt-related derivatives (*Note 13*)	83,063	-	83,063	(61,243)
Net assets released from restrictions (*Note 15*)	47,496	(47,496)	-	-
Pension and postretirement benefits-related changes:				
Net periodic benefit costs (*Note 14*)	(5,705)	-	(5,705)	(3,780)
Other changes (*Note 14*)	68,643	-	68,643	(49,217)
Change in value of split-interest agreements (*Note 17*)	(270)	49,813	49,543	6,107
Other non-operating changes	(1,524)	(436)	(1,960)	(5,821)
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	3,248,866	3,620,340	6,869,206	728,767
INCREASE IN NET ASSETS	3,306,225	3,678,859	6,985,084	775,475
NET ASSETS BEGINNING OF YEAR	6,449,993	8,043,500	14,493,493	13,718,018
NET ASSETS END OF YEAR	$ 9,756,218	$ 11,722,359	$ 21,478,577	$ 14,493,493

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

			Year ended June 30
	Without donor restrictions	*With donor restrictions*	**2020** *Total*
Operating Revenues and Other Additions			
Net tuition and fees (*Note 18*)	$ 353,452	$ -	$ 353,452
Grants and contracts (*Note 19*)	147,232	-	147,232
Contributions	45,807	71,866	117,673
Endowment payout (*Note 16*)	148,632	266,698	415,330
Sales and services of auxiliary enterprises (*Note 20*)	254,807	-	254,807
Other sources	38,344	-	38,344
TOTAL OPERATING REVENUES	988,274	338,564	1,326,838
Net assets released from restrictions (*Note 15*)	297,517	(297,517)	-
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,285,791	41,047	1,326,838
Operating Expenses	(1,280,130)	-	(1,280,130)
INCREASE IN NET ASSETS FROM OPERATIONS	5,661	41,047	46,708
Non-Operating Changes in Net Assets			
Contributions	98,553	280,044	378,597
Investment return (*Note 7*)	409,298	470,156	879,454
Endowment payout (*Note 16*)	(148,632)	(266,698)	(415,330)
Net loss on debt-related derivatives (*Note 13*)	(61,243)	-	(61,243)
Net assets released from restrictions (*Note 15*)	113,266	(113,266)	-
Pension and postretirement benefits-related changes:			
Net periodic benefit costs (*Note 14*)	(3,780)	-	(3,780)
Other changes (*Note 14*)	(49,217)	-	(49,217)
Change in value of split-interest agreements (*Note 17*)	(260)	6,367	6,107
Other non-operating changes	(7,822)	2,001	(5,821)
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	350,163	378,604	728,767
INCREASE IN NET ASSETS	355,824	419,651	775,475
NET ASSETS BEGINNING OF YEAR	6,094,169	7,623,849	13,718,018
NET ASSETS END OF YEAR	$ 6,449,993	$ 8,043,500	$ 14,493,493

See accompanying notes to consolidated financial statements.

Consolidated Statements of Functional Expenses

(in thousands)

		Salaries & wages		*Benefits*		*Supplies & services*		*Depreciation (Note 8)*		*Interest*		Year ended June 30 **2021** *Total*
Operating Expenses												
Academic programs and research	$	401,000	$	101,554	$	167,554	$	54,989	$	27,356	$	752,453
Auxiliary enterprises		83,088		27,156		73,137		41,178		8,395		232,954
General administration		78,187		46,235		70,136		6,364		8,038		208,960
Fundraising		24,747		7,613		5,792		242		1,821		40,215
TOTAL OPERATING EXPENSES		587,022		182,558		316,619		102,773		45,610		1,234,582
Non-Operating Expenses												
Net periodic benefit costs (*Note 14*)		-		5,705		-		-		-		5,705
Expenses of consolidated company		-		-		7,103		2,276		1,733		11,112
TOTAL EXPENSES	$	587,022	$	188,263	$	323,722	$	105,049	$	47,343	$	1,251,399

		Salaries & wages		*Benefits*		*Supplies & services*		*Depreciation (Note 8)*		*Interest*		Year ended June 30 **2020** *Total*
Operating Expenses												
Academic programs and research	$	398,741	$	96,104	$	210,515	$	54,311	$	25,942	$	785,613
Auxiliary enterprises		92,266		27,632		96,002		39,191		8,272		263,363
General administration		74,471		44,770		49,576		6,312		6,574		181,703
Fundraising		28,048		7,176		12,331		257		1,639		49,451
TOTAL OPERATING EXPENSES		593,526		175,682		368,424		100,071		42,427		1,280,130
Non-Operating Expenses												
Net periodic benefit costs (*Note 14*)		-		3,780		-		-		-		3,780
Expenses of consolidated company		-		-		7,853		1,962		1,774		11,589
TOTAL EXPENSES	$	593,526	$	179,462	$	376,277	$	102,033	$	44,201	$	1,295,499

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

	Years ended June 30 2021	2020
Cash Flows from Operating Activities		
Increase in net assets	$ 6,985,084	$ 775,475
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on investments	(6,894,609)	(851,934)
Contributions for long-term investment	(170,266)	(242,712)
Contributed securities	(106,456)	(109,715)
Proceeds from sales of securities contributed for operations	10,523	10,138
Depreciation	105,049	102,033
Loss on disposal of land, buildings, and equipment	7,337	1,557
Change in contributions receivable	58,341	(32,750)
Change in value of split-interest agreements	(49,543)	(6,107)
Change in pension and other postretirement benefit obligations	(66,585)	49,848
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(70,916)	(672)
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	64,047	31,851
Other, net	3,374	(1,477)
NET CASH USED BY OPERATING ACTIVITIES	(124,620)	(274,465)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	11,435,108	8,117,263
Purchases of investments	(11,452,946)	(8,116,537)
Purchases of land, buildings, and equipment	(104,637)	(126,455)
Student and other loans granted	(3,499)	(4,063)
Student and other loans repaid	5,629	7,490
NET CASH USED BY INVESTING ACTIVITIES	(120,345)	(122,302)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	6,381	5,949
Contributions for long-term investment	190,191	262,128
Proceeds from sales of securities contributed for long-term investment	93,829	99,577
Proceeds from short-term borrowing	84,693	1,219,662
Repayment of short-term borrowing	(166,690)	(1,251,385)
Payments to beneficiaries of split-interest agreements	(19,714)	(16,232)
Proceeds from bonds issued	-	155,000
Repayment of bonds and notes	(1,021)	(980)
Return of government advances for student loans	(4,497)	(8,533)
Cash accepted for investment on behalf of religious affiliates	79,542	25,813
Cash returned to religious affiliates	(84,213)	(27,371)
NET CASH PROVIDED BY FINANCING ACTIVITIES	178,501	463,628
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(66,464)	66,861
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	214,495	147,634
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 148,031	$ 214,495
Supplemental Data		
Interest paid	$ 46,576	$ 44,024

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 1.
Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The University of Notre Dame du Lac is a private Catholic research university. The accompanying consolidated financial statements include the assets, liabilities, and activities of certain other entities under the financial control of the University of Notre Dame du Lac. This includes the wholly-owned limited liability company cited in *Note 7* and *Note 12*, which operates a commercial property in Chicago, Illinois for investment purposes. The University of Notre Dame du Lac and entities included herein are referred to individually and collectively as the "University."

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements reflect the activities of the University as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions—Net assets not subject to donor-imposed restrictions and available for any purpose consistent with the University's mission. Revenues from grants and contracts subject to conditions and purpose restrictions are recognized within changes in net assets without donor restrictions in the period in which those conditions and restrictions are met. Other revenues are generally reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by funds functioning as endowment and other sources are also classified as changes in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Operating expenses are reported as decreases in net assets without donor restrictions.

Net Assets With Donor Restrictions—Net assets that are either required to be maintained in perpetuity by donors or are subject to donor-imposed purpose restrictions that must be met by actions of the University and/or passage of time. Net assets subject to donor-imposed restrictions requiring they be maintained in perpetuity are generally restricted to long-term investment and are comprised primarily of donor-restricted endowment funds. Subject to the University's endowment spending policy, investment returns on perpetually restricted endowment funds are generally available for appropriation to support operational needs as specified by donor restriction. Contributed assets with a non-perpetual restriction normally fund specific expenditures of an operating or capital nature. Unconditional restricted contributions or investment returns received and expended within the same fiscal period are reported as increases in net assets with donor restrictions and net assets released from restrictions, respectively.

The University's measure of operations presented in the consolidated statements of changes in net assets includes revenues from tuition and fees, grants and contracts, contributions for operations, endowment payout distributed under the University's spending policy, revenues from auxiliary enterprises, and other sources. Operating expenses are summarized in the consolidated statements of functional expenses by natural classification and functional categories. Costs incurred in direct support of the University's primary mission, including those for instruction, research, public service, academic support, and student services are reflected within the *academic programs and research* functional category. Interest from taxable bonds and other debt is allocated to functional categories based on the proportion of expenses charged directly to each function prior to allocating costs for operations and maintenance of plant. Interest from tax-exempt bonds is allocated to functional categories based on the square footage occupancy of the related facilities. Costs for operations and maintenance of plant and depreciation are allocated to functional categories based primarily on square footage occupancy.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Non-operating activities presented in the consolidated statements of changes in net assets include contributions designated by the University or restricted by donors for endowment or investment in buildings and equipment, investment return net of the endowment payout for operations, any gains or losses on debt-related derivatives, and certain pension and postretirement benefits-related changes in net assets. Other non-operating changes in net assets include the net activities of the consolidated limited liability company described in *Note 7* and *Note 12*, the effect of changes in donor intent with respect to endowment and other funds, and other activities considered unusual or non-recurring in nature. Non-operating net assets released from restrictions generally reflect the expenditure of net assets restricted to investment in buildings and equipment and other expirations of term restrictions.

NET TUITION AND FEES

Tuition and fees for instruction and other educational services, net of scholarships and fellowships, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts receivable from students are typically insignificant at the end of each fiscal year.

Tuition scholarships and fellowships

As reflected in *Note 18*, student financial aid in the form of undergraduate scholarships, athletics grants-in-aid, and graduate and professional fellowships is reflected as contra-tuition revenue in the consolidated statements of changes in net assets.

GRANTS AND CONTRACTS

Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The University recognizes revenues on grants for basic research and other sponsored programs as the awards for such programs are expended since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor. Revenue from exchange contracts for applied research is recognized as the University's contractual performance obligations are substantially met. Indirect cost recovery by the University on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as grants and contracts revenue.

AUXILIARY ENTERPRISES

The University's auxiliary enterprises consist principally of intercollegiate athletics and enterprises that provide goods and services to the campus community, such as residence and dining halls, hospitality enterprises, bookstores, and event management services. These enterprises are managed as self-supporting activities. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Certain auxiliary revenues arise from contracts. Revenues from intercollegiate athletics ticket sales, media rights, licensing, royalties, and other contracts are received and recognized concurrent with event-based obligations or the passage of contract terms, but typically within the fiscal year. However, season ticket proceeds received prior to the report date for events scheduled in the upcoming fiscal year are recorded as deferred revenue and recognized as the associated events are completed. Charges to students for campus residence, dining, and laundry services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Revenues are reported net of scholarships and fellowships allocated to room and board, the total of which is insignificant. Accounts receivable from students are typically insignificant at the end of each fiscal year. Revenues generated by on-campus event management, including those from hosting concerts and professional sporting events, are recognized as event-based obligations are fulfilled. Associated contract-related liabilities at year end are insignificant.

Notes to Consolidated Financial Statements

(All amounts in thousands)

CASH AND CASH EQUIVALENTS

Resources invested in money market funds and other short-term investments with maturities at the date of purchase of three months or less are classified as cash equivalents, except that any such investments purchased by external investment managers are classified as investments. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation limits.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at face value and typically have contractual maturities of less than one year. Allowance is made for uncollectible accounts based upon management's expectations and past collection experience.

CONTRIBUTIONS RECEIVABLE

Pledges that represent unconditional promises to give are recognized at fair value as contributions with donor restrictions in the period such promises are made by donors. Contributions are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based upon management's expectations regarding the collection of outstanding promises to give and past collection experience.

NOTES RECEIVABLE

Notes receivable, which are recorded at face value, principally represent amounts due from students under federal Perkins and institutional loan programs. A general allowance is made for uncollectible student loans after considering both long-term collection experience and current trends, such as recent default rates of cohorts entering repayment status. Other notes receivable are evaluated individually for impairment, with allowances recorded based on management's expectations given facts and circumstances related to each note.

LEASES

The University leases space and equipment for academic and administrative purposes under noncancelable operating leases. Right-of-use assets and liabilities reported in the consolidated statements of financial position are initially recognized at the present value of future minimum lease payments, which are discounted at an incremental borrowing rate appropriate to the duration of the lease term. Options to extend a lease are reflected in these amounts if and when it becomes reasonably certain the University will exercise such options. Right-of-use assets and lease liabilities are reported in the consolidated statements of financial position within the *deferred charges and other assets* and *deposits and other liabilities* lines, respectively.

The University has elected to exclude leases with an initial term of 12 months or less from the amounts reported in the consolidated statements of financial position.

Notes to Consolidated Financial Statements

(All amounts in thousands)

INVESTMENTS

Investments are stated at estimated fair value. The University measures the fair values of investments in securities at the last sales price of the fiscal year on the primary exchange where the security is traded. Non-exchange-traded instruments and over-the-counter positions are primarily valued using independent pricing services, broker quotes, or models with externally verifiable inputs. The fair values of alternative investments (interests in private equity, hedge, real estate, and other similar funds) for which quoted market prices are not available are generally measured based on the reported partner's capital or net asset value ("NAV") provided by the associated external investment managers. The reported partner's capital or NAV is subject to management's assessment that the valuation provided is representative of fair value. Management exercises diligence in assessing the policies, procedures, and controls implemented by its external investment managers, and thus believes the carrying amount of these assets represents a reasonable estimate of fair value. However, because alternative investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Investments Held on Behalf of Other Entities

The University serves as the trustee for its employees' defined benefit pension plan, managing the investment assets held within the plan. The University also invests funds on behalf of religious affiliates that share the University's Catholic ministry and educational missions. Accordingly, the University reports an equal asset and liability in the consolidated statements of financial position representing the value of investments managed on behalf of these entities.

DEBT-RELATED DERIVATIVE INSTRUMENTS

The University utilizes derivatives in a limited manner outside of its investment portfolio. As described in *Note 13*, interest rate swap agreements are used to manage interest rate risk associated with future anticipated bond obligations. These swaps are reported in the consolidated statements of financial position at fair value. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. Any gains or losses resulting from changes in the fair value of these swaps or periodic net cash settlements with counterparties, including settlements related to their termination of such agreements, are recognized as non-operating changes in net assets without donor restrictions.

Notes to Consolidated Financial Statements

(All amounts in thousands)

LAND, BUILDINGS, AND EQUIPMENT

Institutional properties are stated at cost or estimated fair value if acquired by gift, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, averaging 15 years for land improvements, 25–50 years for buildings, and 5–25 years for equipment.

The University does not capitalize the cost of library books, nor the cost or fair value of its art collection. The latter is held for exhibition and educational purposes only and not for financial gain.

Conditional Asset Retirement Obligations

The University recognizes asset retirement obligations when incurred. A discounting technique is used to calculate the present value of the capitalized asset retirement costs and the related obligation. Asset retirement costs are depreciated over the estimated remaining useful life of the related asset and the asset retirement obligation is accreted annually to the current present value. Upon settlement of an obligation, any difference between the retirement obligation and the cost to settle is recognized as a gain or loss in the consolidated statements of changes in net assets. The University's conditional asset retirement obligations relate primarily to asbestos remediation and will be settled upon undertaking associated renovation projects.

SPLIT-INTEREST AGREEMENTS

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability at the fair value of the estimated future payments to be made to beneficiaries. Estimated future payments to beneficiaries are discounted at a risk-adjusted rate. Liabilities are adjusted during the terms of the agreements to reflect payments to beneficiaries, returns on trust assets, accretion of discounts, and other considerations that affect the estimates of future payments. Net adjustments to the liabilities are recorded as changes in the value of split-interest agreements.

FAIR VALUE MEASUREMENTS

Fair value measurements reflected in the consolidated financial statements conceptually represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources and a lower priority to unobservable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are described briefly as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3—Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

If changes in the inputs used in the fair value measurement of an asset or liability result in a transfer of the fair value measurement to a different categorization (e.g., from Level 3 to Level 2), such transfers between fair value categories are recognized at the end of the reporting period.

Notes to Consolidated Financial Statements

(All amounts in thousands)

USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

TAX STATUS

The University is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except to the extent the University generates unrelated business income. The University is also subject to excise taxes on net investment income and executive compensation.

RECLASSIFICATIONS

Certain fiscal 2020 amounts within the consolidated financial statements have been reclassified to conform to the 2021 presentation.

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 15, 2021, the date the financial statements were issued. No events requiring disclosure were identified.

NEW ACCOUNTING PRONOUNCEMENTS

During the year ended June 30, 2021, the University adopted the lease accounting provisions in ASC Topic 842 (*Leases*), which consists principally of the guidance originally issued in ASU 2016-02. This guidance established a model under which lessees record a right-of-use asset and a lease liability at the lease's inception. The University elected to adopt Topic 842 as of July 1, 2020, using the transition method under which amounts for comparative periods (i.e., as of and for the year ended June 30, 2020) have not been adjusted to conform to the new guidance. The University also elected a package of practical expedients, the primary effect of which waives the requirement to reassess whether contracts in existence prior to adoption contain leases. The adoption of Topic 842 did not materially impact the University's financial statements.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 2.
Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for institutional needs, such as operating and capital expenses, are summarized as follows at June 30:

	2021	2020
Cash and cash equivalents	$ 148,031	$ 214,495
Accounts receivable, net (*Note 3*)	68,011	69,797
Contributions receivable, net (*Note 5*)	72,438	65,664
Notes receivable (*Note 6*)	2,715	2,211
Investments approved for appropriation in the subsequent year	499,298	457,689
Total financial assets available within one year	790,493	809,856
Undrawn lines of credit (*Note 9*)	417,000	575,000
Unissued commercial paper (*Note 9*)	364,997	400,000
Total financial assets and liquidity resources available within one year	$ 1,572,490	$ 1,784,856

The University manages its financial assets and liquidity resources to be available to fund expenditures and fulfill liabilities and other commitments as they become due. To supplement cash needs, the University maintains various short-term borrowing facilities, as described in *Note 9*. The University's excess working capital is invested in either short-term investments or the Notre Dame Endowment Pool ("NDEP").

As reflected in *Note 7*, the University held more than $5.2 billion in investment assets at June 30, 2021, that were measured using Level 1 and Level 2 fair value inputs. Although these assets are generally liquid within the near term, they are only considered available for expenditure to the extent they are designated as short-term working capital investments or approved for appropriation during the annual budget process under the University's endowment spending policy. Investments approved for appropriation in the subsequent year are calculated based on a board-approved spending rate. The University also has the ability to make additional one-time appropriations from working capital and endowment funds without donor restrictions to the extent that there are sufficient liquid investment assets.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 3.
Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	2021	2020
Research and other sponsored programs support	$ 31,398	$ 25,074
Rights and royalties receivable	22,751	22,792
Other receivables	22,676	23,420
	76,825	71,286
Less allowances for uncollectible amounts	8,814	1,489
	$ 68,011	$ 69,797

NOTE 4.
Deferred Charges and Other Assets

Deferred charges and other assets are summarized as follows at June 30:

	2021	2020
Operating lease right-of-use assets	$ 36,711	$ -
Prepaid expenses	16,285	15,533
Retail and other inventories	5,297	5,373
Goodwill	6,455	6,455
Beneficial interests in perpetual trusts	6,610	5,512
Debt-related derivatives (*Note 13*)	40,257	6,426
Other deferred charges	5,944	5,558
	$ 117,559	$ 44,857

NOTE 5.
Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	$ 194,289	$ 187,182
One year to five years	268,834	329,812
More than five years	181,220	198,358
	644,343	715,352
Less:		
Unamortized discounts	115,883	128,768
Allowances for uncollectible amounts	12,986	12,769
	128,869	141,537
	$ 515,474	$ 573,815

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2021, and 2020. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2021, and 2020. Of the net amount expected to be collected in less than one year, only $72,438 is expected to be available for operating and capital expenses, as described in *Note 2*.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Contributions receivable, net, are classified as net assets with donor restrictions for the following purposes at June 30:

	2021	2020
Expendable funds restricted for (*Note 15*):		
Operating purposes	$ 88,293	$ 69,301
Investment in land, buildings, and equipment	116,370	147,912
	204,663	217,213
Endowment funds (*Notes 15* and *16*):		
Donor-restricted endowment	309,714	350,989
University-designated endowment	1,097	5,613
	310,811	356,602
	$ 515,474	$ 573,815

As of June 30, 2021, the University had received conditional pledges of $27,130, which are not reflected in the accompanying consolidated financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 6.
Notes Receivable

Notes receivable are summarized as follows at June 30:

	2021	2020
Student notes receivable, related to:		
Government sponsored loan programs	$ 8,158	$ 11,438
Institutional student loans	9,824	9,434
	17,982	20,872
Less allowances for uncollectible student notes	1,543	1,903
	16,439	18,969
Other notes receivable	2,574	1,576
	$ 19,013	$ 20,545

As reflected in *Note 10*, the University maintains a liability for government advances made in prior years to fund student loans, primarily under the Perkins Loan program, the balance of which was $7,495 and $11,380 at June 30, 2021, and 2020, respectively. As described in *Note 2*, note receivable collections of $2,715 are expected to be available for general expenditure within one year. Collections of government-funded student notes receivable are not considered available for general expenditure.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 7.
Investments

Investments reflected in the consolidated statements of financial position are summarized as follows at June 30:

	2021	2020
Notre Dame Endowment Pool assets	$ 22,464,776	$ 14,662,908
Other investments, associated with:		
Endowment and funds functioning as endowment	10,720	7,351
Working capital and other University designations	92,525	75,298
Split-interest agreements (*Note 17*)	8,071	8,995
Defined benefit pension plan (*Note 14*)	269,680	206,840
	380,996	298,484
	$ 22,845,772	$ 14,961,392

Liabilities associated with investments include the following at June 30:

	2021	2020
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	$ 2,225,212	$ 1,465,763
Defined benefit pension plan (*Note 14*)	269,680	206,840
	$ 2,494,892	$ 1,672,603

The Notre Dame Endowment Pool ("NDEP") represents the University's primary investment portfolio. Certain investments, however, are held in specific instruments outside the NDEP to comply with donor requirements or other considerations. The pooled assets and liabilities of the NDEP are summarized as follows at June 30:

	2021	2020
NDEP assets	$ 22,464,776	$ 14,662,908
Equity interest in consolidated company[1]	64,830	72,645
NDEP net assets unitized	$ 22,529,606	$ 14,735,553

[1]*As described in Note 1, the University is the sole owner of a limited liability company, the assets and liabilities of which are reflected in the consolidated financial statements. However, the estimated fair value of the University's equity interest in the company is included in NDEP net assets for unitization purposes.*

Transactions within participating funds that constitute additions to or withdrawals from the NDEP are unitized on a quarterly basis. The unitized net assets of the NDEP were attributable to the following at June 30:

	2021	2020
University funds:		
Endowment and funds functioning as endowment	$ 18,001,145	$ 11,921,389
Working capital and other University designations	1,861,478	1,067,761
Student loan funds	2,115	1,387
Split-interest agreements (*Note 17*)	439,656	279,253
	20,304,394	13,269,790
Funds invested on behalf of religious affiliates[2]	2,225,212	1,465,763
	$ 22,529,606	$ 14,735,553

[2]*NDEP holdings were redeemable by religious affiliates at $9,636.18 and $6,418.30 per unit (whole dollars) at June 30, 2021, and 2020, respectively.*

Notes to Consolidated Financial Statements

(All amounts in thousands)

The NDEP is comprised primarily of endowment-related holdings. As such, its investment objectives seek to preserve the real purchasing power of the endowment, while providing a stable source of financial support to its beneficiary programs. To satisfy its long-term rate of return objectives, the NDEP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The NDEP maintains a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Investment assets are summarized in the following tables by asset class at June 30, 2021, and 2020, respectively:

	2021		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 1,372,294	$ 1,831	$ 1,374,125
Public equities	6,984,388	74,655	7,059,043
Private equity	10,276,098	24,259	10,300,357
Multi-strategy	3,831,996	10,571	3,842,567
	22,464,776	111,316	22,576,092
Defined benefit pension plan investments (*Note 14*)	-	269,680	269,680
	$ 22,464,776	$ 380,996	$ 22,845,772

	2020		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 451,361	$ 1,581	$ 452,942
Public equities	5,590,526	55,609	5,646,135
Private equity	5,578,118	20,002	5,598,120
Multi-strategy	3,042,903	14,452	3,057,355
	14,662,908	91,644	14,754,552
Defined benefit pension plan investments (*Note 14*)	-	206,840	206,840
	$ 14,662,908	$ 298,484	$ 14,961,392

Short-term investments include cash and cash equivalents, money market funds, securities with short-term maturities (such as commercial paper and government securities held either directly or via commingled pools with daily liquidity), and the fair value of certain derivative instrument assets (primarily futures, interest rate, and equity contracts, all of which are insignificant). Public equities cover the U.S., as well as both developed and emerging markets overseas, and long/short hedge funds. Private equity primarily includes domestic and foreign buyout and venture capital funds. The multi-strategy class includes core diversifiers that encompass opportunistic investments and hedge fund strategies where the manager has a broad mandate to invest in a variety of asset classes to generate returns less correlated with broad equities markets, as well as fixed-income assets that provide capital protection and diversification given the low correlation to other asset classes.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NDEP investments are primarily invested with external managers. The University is committed under contracts with certain external managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Uncalled commitments related to NDEP investments are summarized by investment class as follows at June 30:

	2021	2020
Public equities	$ 173,380	$ 5,500
Private equity	2,868,593	2,492,786
Multi-strategy	518,567	623,398
	$ 3,560,540	$ 3,121,684

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2021, and 2020, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

2021	*Level 1*	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 1,831	$ 1,372,294	$ -	$ -	$ 1,374,125
Public equities:					
U.S.	1,761,272	-	-	937,518	2,698,790
Non-U.S.	644,512	8,894	186,660	3,040,051	3,880,117
Long/short strategies	-	-	2,663	477,473	480,136
Private equity	-	-	61,083	10,239,274	10,300,357
Multi-strategy:					
Core diversifiers	332,439	-	312,023	1,884,284	2,528,746
Fixed income	206,282	876,069	56,983	174,487	1,313,821
	$ 2,946,336	$ 2,257,257	$ 619,412	$ 16,753,087	$ 22,576,092

2020	*Level 1*	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 56,681	$ 396,261	$ -	$ -	$ 452,942
Public equities:					
U.S.	1,109,903	-	-	880,142	1,990,045
Non-U.S.	392,023	13,511	82,229	2,403,748	2,891,511
Long/short strategies	-	-	-	764,579	764,579
Private equity	-	-	20,002	5,578,118	5,598,120
Multi-strategy:					
Core diversifiers	20,682	-	213,975	1,768,947	2,003,604
Fixed income	154,289	473,870	42,355	383,237	1,053,751
	$ 1,733,578	$ 883,642	$ 358,561	$ 11,778,771	$ 14,754,552

Certain short-term investments and fixed income securities categorized within Level 2 are not traded in active markets but are measured using pricing sources such as broker quotes, or using models with externally verifiable inputs, such as relevant interest or exchange rates.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Investments in certain funds within public equities and core diversifiers measured at NAV (or its equivalent) are generally subject to restrictions that limit the University's ability to withdraw capital within the near term. Redemption terms for these funds typically restrict withdrawals of capital for a defined "lock-up" period after investment and thereafter allow withdrawals on a quarterly or annual basis with notice periods ranging from 30 to 180 days. Lock-up periods for such funds generally expire within three years after the measurement date. In addition, investor capital in these funds attributable to illiquid investments, often referred to as "side pockets," generally is not available for redemption until the investments are realized by the fund. Most funds measured at NAV within private equity, as well as certain opportunistic funds within core diversifiers, are not redeemable at the direction of the investor. These funds make distributions to investing partners as the underlying assets of the funds are liquidated. The timing of such liquidations would vary by fund and depend on market conditions as well as other factors. Investments in funds measured at NAV within fixed income are not subject to lock-ups and generally allow for withdrawals on a daily or monthly basis.

At June 30, 2021, a Level 3 investment in public equities with a fair value of $186,660 was measured using a third-party appraisal developed using a market-based approach. At June 30, 2021, and 2020, the fair value of a Level 3 investment in the core diversifiers class was measured using a discounted cash flow technique, the significant unobservable input to which is the discount rate (10 percent). The fair value of the investment was $195,612 and $158,502 at June 30, 2021, and 2020, respectively.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2021:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net gain*	*Net transfers in*	*Ending balance*
Public equities						
Non-U.S.	$ 82,229	$ 5,118	$ -	$ 99,313	$ -	$ 186,660
Long/short strategies	-	-	-	-	2,663	2,663
Private equity	20,002	3,182	(2,082)	3,157	36,824	61,083
Multi-strategy:						
Core diversifiers	213,975	5,346	(2,628)	35,984	59,346	312,023
Fixed income	42,355	257,812	(243,634)	450	-	56,983
	$ 358,561	$ 271,458	$ (248,344)	$ 138,904	$ 98,833	$ 619,412

During the year ended June 30, 2021, the University recognized net unrealized gains of $140,713 on investments still held at June 30, 2021, for which fair value is measured using Level 3 inputs.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2020:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net gain/(loss)*	*Net transfers in*	*Ending balance*
Public equities—Non-U.S.	$ 55,853	$ 1,073	$ -	$ 25,303	$ -	$ 82,229
Private equity	13,997	686	(5,245)	10,564	-	20,002
Multi-strategy:						
Core diversifiers	214,357	25,141	-	(25,523)	-	213,975
Fixed income	55,291	383,930	(398,351)	1,485	-	42,355
	$ 339,498	$ 410,830	$ (403,596)	$ 11,829	$ -	$ 358,561

During the year ended June 30, 2020, the University recognized net unrealized gains of $8,576 on investments still held at June 30, 2020, for which fair value is measured using Level 3 inputs.

Due to the pooled nature of assets held in the NDEP, a portion of any unrealized gains or losses is attributed to NDEP holdings of split-interest agreements and the University's religious affiliates.

Notes to Consolidated Financial Statements

(All amounts in thousands)

INVESTMENT RETURN

Investment return as reflected in the consolidated statements of changes in net assets is summarized as follows for the years ended June 30:

	2021	2020
Income	$ 111,808	$ 89,658
Net gain:		
Realized	1,915,531	796,405
Unrealized	4,979,078	55,529
Investment-related expenses	(106,686)	(62,138)
	$ 6,899,731	$ 879,454
Without donor restrictions	$ 3,185,507	$ 409,298
With donor restrictions	3,714,224	470,156
	$ 6,899,731	$ 879,454

Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations. Investment-related expenses also include provisions for excise taxes on investment returns and executive compensation.

A portion of accumulated investment returns is distributed annually to beneficiary programs under the University's endowment spending policy. Endowment payout by program is summarized in *Note 16*.

NOTE 8.
Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

	2021	2020
Land and land improvements	$ 222,329	$ 219,543
Buildings	2,933,660	2,869,052
Equipment	410,140	402,296
Construction in progress	119,291	83,061
	3,685,420	3,573,952
Less accumulated depreciation	1,136,135	1,045,234
	$ 2,549,285	$ 2,528,718

Depreciation expense was $105,049 and $102,033 for the years ended June 30, 2021, and 2020, respectively.

The University recorded accounts payable and construction retainage associated with construction in progress costs of $5,021 and $4,119, respectively, at June 30, 2021. Accounts payable and construction retainage associated with construction in progress costs were $5,697 and $4,078, respectively, at June 30, 2020.

Changes in conditional asset retirement obligations are summarized as follows for the years ended June 30:

	2021	2020
Beginning of year	$ 25,731	$ 25,475
Obligations settled	(171)	(628)
Accretion expense	893	884
End of year (*Note 11*)	$ 26,453	$ 25,731

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 9.
Short-term Borrowing

During the year ended June 30, 2020, the University borrowed $125,000 under a term bank loan bearing interest at a fixed rate of 1.45 percent and maturing in April 2022, with a prepayment option effective in March 2021. The University exercised this option and repaid the loan in March 2021.

At June 30, 2021, the University maintained a $400,000 self-liquidity commercial paper program under which it could issue taxable commercial paper. The University also maintained six unsecured lines of credit with commercial banks at June 30, 2021, in the aggregate amount of $775,000 to be utilized primarily for working capital purposes. Three lines of credit totaling $350,000 expire during the year ending June 30, 2022. Termination dates for the remaining three lines of credit totaling $425,000 ranged from November 2022 to April 2024.

Total outstanding balances on short-term borrowing are summarized below at June 30:

	2021	2020
Term bank loan	$ -	$ 125,000
Commercial paper	35,003	-
Lines of credit	8,000	-
	$ 43,003	$ 125,000

Total costs incurred on short-term borrowing, including interest and related fees, were approximately $3,714 and $2,848 for the years ended June 30, 2021, and 2020, respectively.

NOTE 10.
Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances are summarized as follows at June 30:

	2021	2020
Refundable advances for research and other sponsored programs (*Note 19*)	$ 65,200	$ 61,855
Deferred ticket sales and other revenues from intercollegiate athletics	45,422	41,413
Deferred rental revenues	25,641	-
Deferred tuition and other student revenues	17,162	24,228
Government advances for student loans (*Note 6*)	7,495	11,380
Other deferred revenues	7,549	7,897
	$ 168,469	$ 146,773

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 11.
Deposits and Other Liabilities

Deposits and other liabilities are summarized as follows at June 30:

	2021	2020
Accrued compensation and employee benefits	$ 89,553	$ 83,198
Debt-related derivatives (*Note 13*)	57,640	106,872
Payroll and other taxes payable	52,574	28,416
Operating lease liabilities	36,711	-
Conditional asset retirement obligations (*Note 8*)	26,453	25,731
Accrued interest expense	15,367	14,600
Student organization funds and other deposits	9,223	7,308
Pledges payable	6,800	9,450
Construction retainage (*Note 8*)	4,119	4,078
Other liabilities	6,374	10,518
	$ 304,814	$ 290,171

NOTE 12.
Bonds and Notes Payable

Bonds and notes payable consist of the following at June 30:

	2021	2020
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 1,215,000	$ 1,215,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds	7,890	7,890
	1,222,890	1,222,890
Obligations of consolidated company:		
Mortgage note payable	41,686	42,707
	$ 1,264,576	$ 1,265,597

The aggregate scheduled maturities of bonds and notes payable are summarized by fiscal year as follows:

2022	$ 1,064
2023	1,109
2024	1,155
2025	38,358
2026	7,890
Thereafter	1,215,000
	$ 1,264,576

Notes to Consolidated Financial Statements

(All amounts in thousands)

TAXABLE FIXED RATE BONDS

Proceeds from Taxable Fixed Rate Bonds bear no restrictions on use and constitute unsecured general obligations of the University. The associated interest is taxable to investors. The following issues were outstanding at June 30:

	Fiscal year of final maturity	*Rate of interest*	**2021**	**2020**
Series 2010	2041	4.90%	$ 160,000	$ 160,000
Series 2012	2043	3.72%	100,000	100,000
Series 2015	2045	3.44%	400,000	400,000
Series 2017	2048	3.39%	400,000	400,000
Series 2020	2030	1.64%	155,000	155,000
			$ 1,215,000	$ 1,215,000

Interest costs incurred on Taxable Fixed Rate Bonds were $41,383 and $39,067 during the years ended June 30, 2021, and 2020, respectively.

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

The proceeds from St. Joseph County (Indiana) Educational Facilities Revenue Bonds ("SJC bonds") were restricted to the campus facilities projects specified in the respective offering documents. SJC bonds represent general obligations of the University and are not collateralized by any facilities. Interest on SJC bonds is tax-exempt to investors.

SJC bonds outstanding at June 30, 2021, and 2020 were from the Series 1996 issue, bearing interest at a fixed rate of 6.50 percent and maturing in 2026. Related interest costs were $513 for the years ended June 30, 2021, and 2020.

MORTGAGE NOTES

As described in *Note 1*, the University is the sole owner of a limited liability company, the activities of which are reflected in the University's consolidated financial statements. The company's assets consist primarily of real estate, the acquisition of which was financed in part with a note payable. Under the terms, the note bears interest at a fixed rate of 4.11 percent and is due on February 1, 2025. The note is not a general obligation of the University and is fully collateralized by the property mortgaged. Interest costs of $1,733 and $1,774 related to the note are reflected within non-operating changes in net assets without donor restrictions for the years ended June 30, 2021, and 2020, respectively.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 13.
Derivatives

The University utilizes interest rate swaps to manage interest rate risk associated with variable rate bonds. Although the University currently has no outstanding variable rate bonds, the University held three forward starting swaps at June 30, 2021, and June 30, 2020, in anticipation of future bond issues. Under the terms of the swap agreements, the University would pay fixed rates ranging from 0.65 to 3.24 percent and receive a variable rate equal to 100 percent of the one-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $354,894 for thirty or thirty-five-year terms beginning March 1, 2025, or March 1, 2030.

The University utilizes a variety of derivatives within the NDEP, which may include certain options contracts, forward currency contracts, and futures contracts, the balances and activity for which are insignificant.

Derivatives by their nature bear, to varying degrees, elements of market risk and credit risk that are not reflected in the amounts recorded in financial statements. Market risk in this context represents the potential for changes in the value of derivatives due to levels of volatility and liquidity or other events affecting the underlying asset, reference rate, or index, including those embodied in interest and foreign exchange rate movements and fluctuations in commodity or security prices. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the consolidated statements of financial position, not the notional amounts of the derivatives, and is further limited by the collateral arrangements as specified for specific instruments.

The debt-related interest rate swaps described above have credit-risk-related contingent features that could require the University to post collateral to its counterparty when the swaps are in a net liability position. Collateral levels are determined based on the University's credit rating and the degree of the liability position and could extend to the full fair value of the swaps. The aggregate fair value of swaps in liability positions was $57,640 and $106,872 at June 30, 2021, and June 30, 2020, respectively, but based on the quality of its credit rating, the University had posted no collateral for these swaps at either of those dates.

The notional amounts and estimated fair values of the debt-related interest rate swaps at June 30, 2021, and 2020, respectively, are summarized below:

	2021	2020
Notional amounts	$ 354,894	$ 354,894
Fair value, as reflected in the statements of financial position:		
Deferred charges and other assets (*Note 4*)	40,257	6,426
Deposits and other liabilities (*Note 11*)	57,640	106,872

Fair value measurements are based on observable interest rates that fall within Level 2 of the hierarchy of fair value inputs. The net gain or loss on debt-related swaps is reported as such within non-operating changes in net assets without donor restrictions. A net gain of $83,063 and a net loss of $61,243 were reported during the years ended June 30, 2021, and 2020, respectively. No periodic settlements were required for the years ended June 30, 2021, and 2020.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 14.
Pension and Other Postretirement Benefits

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty, exempt staff, and non-exempt staff hired on or after January 1, 2018, participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operating under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also voluntarily participate in the plan by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan and may direct their contributions and the University's contributions on their behalf to plan investments. The University's share of the cost of these benefits was $40,996 and $41,335 for the years ended June 30, 2021, and 2020, respectively.

DEFINED BENEFIT PENSION PLAN AND POSTRETIREMENT MEDICAL INSURANCE BENEFITS

Retirement benefits are provided for University staff under a defined benefit pension plan, for which the University serves as trustee and administrator. This plan provides benefits for certain non-exempt staff but was closed to new participants effective January 1, 2018. Retirement benefits are based on the employee's total years of service and final average pay as defined by the plan. Plan participants are fully vested after five years of service. The University funds the plan with annual contributions that meet minimum requirements under the Employee Retirement Income Security Act of 1974 and Pension Protection Act of 2006.

Other postretirement benefit plans offered by the University provide either medical insurance benefits for retirees and their spouses or Health Reimbursement Accounts upon which Medicare-eligible retirees may draw to purchase individual Medicare supplemental coverage. Employees are eligible for such benefits if they retire after attaining specified age and service requirements while employed by the University. The plans hold no assets and are funded by the University as claims are paid.

The University recognizes the full funded status of its defined benefit pension and other postretirement benefit plans in the consolidated statements of financial position. Accordingly, the liability for pension benefits as recognized in the consolidated statements of financial position represents the excess of the actuarially determined projected benefit obligation ("PBO") over the fair value of plan assets at year end. The liability for other postretirement benefits as recognized in the consolidated statements of financial position represents the actuarially determined accumulated postretirement benefit obligation ("APBO") at year end. The following table summarizes the liabilities for pension and other postretirement benefits reflected in the consolidated statements of financial position at June 30:

	2021	2020
Liability for pension benefits:		
PBO at end of year	$ 315,812	$ 317,717
Less: Fair value of plan assets at end of year (*Note 7*)	269,680	206,840
	46,132	110,877
Liability for other postretirement benefits (APBO at year end)	58,086	59,926
	$ 104,218	$ 170,803

Notes to Consolidated Financial Statements

(All amounts in thousands)

Changes in the actuarially determined benefit obligations are summarized below for the years ended June 30:

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2021	**2020**	**2021**	**2020**
Beginning of year	$ 317,717	$ 280,927	$ 59,926	$ 48,120
Service cost	6,313	6,336	2,669	2,180
Interest cost	9,264	10,382	1,661	1,702
Actuarial loss/(gain)	(5,916)	32,222	(4,564)	9,791
Benefit payments	(11,566)	(12,150)	(1,606)	(1,665)
Plan amendments	-	-	-	(202)
End of year	$ 315,812	$ 317,717	$ 58,086	$ 59,926

The accumulated benefit obligation associated with pension benefits was $295,376 and $293,639 at June 30, 2021, and 2020, respectively.

The change in the fair value of pension plan assets is summarized below for the years ended June 30:

	2021	**2020**
Plan assets at beginning of year	$ 206,840	$ 208,092
Actual return on plan assets	63,383	898
Employer contributions	11,023	10,000
Benefit payments	(11,566)	(12,150)
Plan assets at end of year	$ 269,680	$ 206,840

The components of net periodic benefit cost recognized in the consolidated statements of changes in net assets are summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2021	**2020**	**2021**	**2020**
Operating expense—service cost	$ 6,313	$ 6,336	$ 2,669	$ 2,180
Non-operating expenses:				
Interest cost	9,264	10,382	1,661	1,702
Expected return on plan assets	(13,768)	(13,495)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	7,934	4,887	581	-
Amortization of prior service cost/(credit)	83	358	(50)	(54)
Net amortization	8,017	5,245	531	(54)
Total non-operating expenses	3,513	2,132	2,192	1,648
Total net periodic benefit cost	$ 9,826	$ 8,468	$ 4,861	$ 3,828

The amortization of any prior service cost or credit is determined using straight-line amortization over the average remaining service period of employees expected to receive benefits under the respective plans.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Gains or losses and other changes in the actuarially determined benefit obligations arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statements of changes in net assets. These changes are reflected net of a contra-expense adjustment for amounts recognized previously but included as components of net periodic benefit cost in the current period. Accordingly, the net non-operating change in net assets without donor restrictions related to pension and other postretirement benefits is summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2021	**2020**	**2021**	**2020**
Net actuarial gain/(loss)	$ 55,531	$ (44,819)	$ 4,564	$ (9,791)
Plan amendments	-	-	-	202
Adjustment for components of net periodic benefit cost recognized previously	8,017	5,245	531	(54)
	$ 63,548	$ (39,574)	$ 5,095	$ (9,643)

Cumulative amounts recognized as non-operating changes in net assets without donor restrictions that had not yet been reflected within net periodic benefit cost are summarized as follows at June 30:

	Pension benefits		*Other postretirement benefits*	
	2021	**2020**	**2021**	**2020**
Net loss	$ 46,144	$ 109,609	$ 10,134	$ 15,279
Prior service cost/(credit)	-	83	(160)	(210)
	$ 46,144	$ 109,692	$ 9,974	$ 15,069

The following weighted-average assumptions were used in measuring the actuarially determined benefit obligations (PBO for pension benefits and APBO for other postretirement benefits) at June 30:

	Pension benefits		*Other postretirement benefits*	
	2021	**2020**	**2021**	**2020**
Discount rate	3.00%	3.00%	3.00%	3.00%
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2027)			6.50%	7.00%

Notes to Consolidated Financial Statements

(All amounts in thousands)

The following weighted-average assumptions were used in measuring the actuarially determined net periodic benefit costs for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2021	**2020**	**2021**	**2020**
Discount rate	3.00%	3.75%	3.00%	3.75%
Expected long-term rate of return on plan assets	6.50%	6.50%		
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2027)			7.00%	7.00%

The expected long-term rate of return on pension plan assets is based on the consideration of both historical and forecasted investment performance, given the targeted allocation of the plan's assets to various investment classes.

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2021, are as follows:

	Pension benefits	*Other postretirement benefits*
2022	$ 12,539	$ 2,633
2023	13,094	2,811
2024	13,634	2,878
2025	14,229	3,056
2026	14,799	3,237

Projected aggregate payments for pension benefits and other postretirement benefits for the five-year period ending June 30, 2031, are $81,902 and $18,250, respectively. The University's estimated contributions to the defined benefit pension plan for the year ending June 30, 2022, are $1,400.

Notes to Consolidated Financial Statements

(All amounts in thousands)

DEFINED BENEFIT PENSION PLAN ASSETS

The plan's assets are invested in a manner that is intended to preserve the purchasing power of the plan's assets and provide payments to beneficiaries. Thus, a rate of return objective of inflation plus 5.0 percent is targeted.

The investment portfolio of the plan, which is invested with external investment managers, is diversified in a manner that is intended to achieve the return objective and reduce the volatility of returns. The plan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) over a long-term time horizon.

Actual and targeted allocations of the plan's investments by asset class were as follows at June 30:

	2021	2020	*Target*
Short-term investments	1.6%	0.9%	0.0%
Public equities	58.3%	49.8%	55.0%
Multi-strategy	27.3%	39.1%	35.0%
Private equity	12.8%	10.2%	10.0%
	100.0%	100.0%	100.0%

Asset allocation targets reflect the need for a modestly higher weighting in equity-based investments to achieve the return objective. Decisions regarding allocations among asset classes are made when such actions are expected to produce an incremental return, reduce risk, or both. The investment characteristics of an asset class—including the expected return, risk, correlation, and its overall role in the portfolio—are analyzed when making such decisions. The role of each asset class within the overall asset allocation of the plan is described as follows:

Public equities—Provides access to liquid markets and serves as a long-term hedge against inflation by delivering long-term capital appreciation in real terms.

Multi-strategy—Fixed income component provides income stability and predictable nominal cash flow relative to other asset classes. Diversifiers provide opportunities to benefit from short-term inefficiencies in capital markets.

Private equity—Provides risk-adjusted returns in excess of public equities by investing in inefficient markets, further enhancing long-term capital appreciation.

Fair value measurements of plan investments at June 30, 2021, and 2020, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2021				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 4,361	$ -	$ -	$ -	$ 4,361
Public equities:					
U.S.	41,397	-	-	64,636	106,033
Non-U.S.	-	-	-	51,175	51,175
Multi-strategy	-	-	11	73,540	73,551
Private equity	-	-	76	34,484	34,560
	$ 45,758	$ -	$ 87	$ 223,835	$ 269,680

Notes to Consolidated Financial Statements

(All amounts in thousands)

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 1,801	$ -	$ -	$ -	$ 1,801
Public equities:					
U.S.	28,177	-	-	39,861	68,038
Non-U.S.	-	-	-	34,945	34,945
Multi-strategy	5,319	-	-	75,607	80,926
Private equity	-	-	-	21,130	21,130
	$ 35,297	$ -	$ -	$ 171,543	$ 206,840

The plan is committed under contracts with certain investment managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Total commitments of $33,577 and $40,134 were uncalled at June 30, 2021, and 2020, respectively.

NOTE 15.
Net Assets

Net assets without donor restrictions consist of the following at June 30:

	2021	2020
University-designated endowment (*Note 16*)	$ 7,345,695	$ 4,865,486
Other net assets	2,410,523	1,584,507
	$ 9,756,218	$ 6,449,993

Net assets with donor restrictions are summarized as follows at June 30, 2021:

	Purpose and/or time restrictions	*Perpetual restrictions*	*Total*
Endowment funds (*Note 16*):			
Endowment and funds functioning as endowment	$ 7,988,941	$ 2,739,436	$ 10,728,377
Term endowment	471	-	471
Contributions receivable (*Note 5*)	1,097	309,714	310,811
	7,990,509	3,049,150	11,039,659
Expendable funds restricted for:			
Operating purposes	227,006	-	227,006
Investment in land, buildings, and equipment	102,109	-	102,109
Contributions receivable (*Note 5*)	204,663	-	204,663
	533,778	-	533,778
Split-interest agreements (*Note 17*)	90,383	48,202	138,585
Other net assets	-	10,337	10,337
	$ 8,614,670	$ 3,107,689	$ 11,722,359

Notes to Consolidated Financial Statements

(All amounts in thousands)

Net assets with donor restrictions are summarized as follows at June 30, 2020:

	Purpose and/or time restrictions	*Perpetual restrictions*	*Total*
Endowment funds (*Note 16*)			
Endowment and funds functioning as endowment	$ 4,557,412	$ 2,539,494	$ 7,096,906
Term endowment	428	-	428
Contributions receivable (*Note 5*)	5,613	350,989	356,602
	4,563,453	2,890,483	7,453,936
Expendable funds restricted for:			
Operating purposes	193,686	-	193,686
Investment in land, buildings, and equipment	85,152	-	85,152
Contributions receivable (*Note 5*)	217,213	-	217,213
	496,051	-	496,051
Split-interest agreements (*Note 17*)	52,798	32,211	85,009
Other net assets	-	8,504	8,504
	$ 5,112,302	$ 2,931,198	$ 8,043,500

Net assets released from restrictions represent the satisfaction of time or purpose restrictions and are summarized below for the years ended June 30:

	2021	**2020**
For operations:		
Scholarships and fellowships awarded	$ 120,296	$ 115,366
Expenditures for operating purposes	181,079	182,151
	301,375	297,517
For long-term investment	47,496	113,266
	$ 348,871	$ 410,783

NOTE 16.
Endowment

The University's endowment consists of individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds functioning as endowment, are classified and reported in accordance with any donor-imposed restrictions or University designations.

Expendable funds with purpose-related restrictions that have been designated as endowment at the University's discretion, as well as endowment funds for which the donor has granted the University flexibility to expend or redirect to another purpose, are classified as university-designated endowment funds *with donor restrictions*.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Endowment funds at June 30, 2021, are summarized as follows:

	Without donor restrictions (Note 15)	With donor restrictions (Note 15)	Total
Funds established to support:			
Scholarships and fellowships	$ 2,815,830	$ 4,017,004	$ 6,832,834
Academic, religious, and student programs	654,709	2,960,702	3,615,411
Faculty chairs	277,266	2,562,350	2,839,616
Campus infrastructure	1,374,323	2,587	1,376,910
Athletics	274,504	288,602	563,106
Libraries	15,553	364,682	380,235
General operations	1,392,682	255,183	1,647,865
Other	540,828	277,738	818,566
	7,345,695	10,728,848	18,074,543
Contributions receivable (*Note 5*)	-	310,811	310,811
	$ 7,345,695	$ 11,039,659	$ 18,385,354
Donor-restricted endowment, principal	$ -	$ 2,739,143	$ 2,739,143
Donor-restricted endowment, appreciation	-	7,072,690	7,072,690
University-designated endowment	7,345,695	917,015	8,262,710
	7,345,695	10,728,848	18,074,543
Contributions receivable (*Note 5*)	-	310,811	310,811
	$ 7,345,695	$ 11,039,659	$ 18,385,354

Endowment funds at June 30, 2020, are summarized as follows:

	Without donor restrictions (Note 15)	With donor restrictions (Note 15)	Total
Funds established to support:			
Scholarships and fellowships	$ 769,110	$ 2,678,803	$ 3,447,913
Academic, religious, and student programs	439,752	1,912,198	2,351,950
Faculty chairs	185,379	1,711,989	1,897,368
Campus infrastructure	912,224	1,942	914,166
Athletics	186,084	182,004	368,088
Libraries	10,540	245,198	255,738
General operations	2,059,737	178,007	2,237,744
Other	302,660	187,193	489,853
	4,865,486	7,097,334	11,962,820
Contributions receivable (*Note 5*)	-	356,602	356,602
	$ 4,865,486	$ 7,453,936	$ 12,319,422
Donor-restricted endowment, principal	$ -	$ 2,539,510	$ 2,539,510
Donor-restricted endowment, appreciation	-	3,931,804	3,931,804
University-designated endowment	4,865,486	626,020	5,491,506
	4,865,486	7,097,334	11,962,820
Contributions receivable (*Note 5*)	-	356,602	356,602
	$ 4,865,486	$ 7,453,936	$ 12,319,422

Notes to Consolidated Financial Statements

(All amounts in thousands)

The fair value of assets associated with individual donor-restricted endowments may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. There was no such unrealized depreciation at June 30, 2021, and June 30, 2020.

Endowment funds are invested primarily in the NDEP, described in *Note 7*. However, certain funds are invested outside of the NDEP in accordance with donor requirements and other considerations.

Changes in endowment funds are summarized as follows for the years ended June 30:

	Without donor restrictions	*With donor restrictions*	**2021** *Total*
Beginning of the year	$ 4,865,486	$ 7,453,936	$ 12,319,422
Contributions	19,472	153,072	172,544
Investment return:			
Investment income	29,547	42,784	72,331
Net gain on investments	2,590,931	3,672,641	6,263,572
Endowment payout supporting:			
Operating purposes	(149,591)	(279,290)	(428,881)
Campus infrastructure	(30,201)	(26)	(30,227)
Other changes, net[1]	20,051	(3,458)	16,593
	$ 7,345,695	$ 11,039,659	$ 18,385,354

	Without donor restrictions	*With donor restrictions*	**2020** *Total*
Beginning of the year	$ 4,580,318	$ 6,985,646	$ 11,565,964
Contributions	96,231	261,354	357,585
Investment return:			
Investment income	11,995	21,497	33,492
Net gain on investments	338,874	449,878	788,752
Endowment payout supporting:			
Operating purposes	(148,632)	(266,698)	(415,330)
Campus infrastructure	(29,100)	(29)	(29,129)
Other changes, net[1]	15,800	2,288	18,088
	$ 4,865,486	$ 7,453,936	$ 12,319,422

[1] *Reflects the net effects of changes in donor intent and management-directed allocations that result in additions to or withdrawals from endowment.*

The University has adopted an endowment spending policy that attempts to meet three objectives: (1) provide a predictable, stable stream of earnings to fund participants; (2) ensure the purchasing power of this revenue stream does not decline over time; and (3) ensure the purchasing power of the endowment assets does not decline over time. Under this policy, as approved by the Board of Trustees, investment income, as well as a prudent portion of appreciation, may be appropriated for the needs of supported programs and purposes.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Endowment payout (i.e., appropriations) under the University's endowment spending policy is summarized below by the purposes associated with applicable funds for the years ended June 30:

	Without donor restrictions	With donor restrictions	2021 Total
Operating purposes:			
Scholarships and fellowships	$ 71,562	$ 109,660	$ 181,222
Academic, religious, and student programs	12,834	77,098	89,932
Faculty chairs	6,821	67,963	74,784
Athletics	7,632	6,964	14,596
Libraries	429	10,032	10,461
General operations	49,145	7,177	56,322
Other	1,168	396	1,564
	149,591	279,290	428,881
Campus infrastructure	30,201	26	30,227
	$ 179,792	$ 279,316	$ 459,108

	Without donor restrictions	With donor restrictions	2020 Total
Operating purposes:			
Scholarships and fellowships	$ 31,472	$ 106,171	$ 137,643
Academic, religious, and student programs	12,467	72,021	84,488
Faculty chairs	6,781	65,588	72,369
Athletics	7,630	6,603	14,233
Libraries	474	9,853	10,327
General operations	88,573	6,327	94,900
Other	1,235	135	1,370
	148,632	266,698	415,330
Campus infrastructure	29,100	29	29,129
	$ 177,732	$ 266,727	$ 444,459

NOTE 17.
Split-Interest Agreements

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Split-interest agreement net assets consisted of the following at June 30:

	Without donor restrictions	With donor restrictions (Note 15)	2021 Total	2020 Total
Charitable trust assets, held in:				
NDEP (*Note 7*)	$ -	$ 439,656	$ 439,656	$ 279,253
Other investments (*Note 7*)	-	8,071	8,071	8,995
	-	447,727	447,727	288,248
Less obligations[1] associated with:				
Charitable trusts	-	300,833	300,833	196,701
Charitable gift annuities	2,815	8,309	11,124	9,503
	2,815	309,142	311,957	206,204
	$ (2,815)	$ 138,585	$ 135,770	$ 82,044

[1]*Represents the present value of estimated future benefit payments to beneficiaries.*

Notes to Consolidated Financial Statements

(All amounts in thousands)

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust and based on the nature of the agreements are designated as funds functioning as endowment. Total assets associated with the charitable gift annuity program were $52,956 and $29,911 at June 30, 2021, and 2020, respectively.

Changes in split-interest agreement net assets are summarized below for the years ended June 30:

	Without donor restrictions	*With donor restrictions*	**2021** *Total*	**2020** *Total*
Beginning of the year	$ (2,965)	$ 85,009	$ 82,044	$ 69,101
Contributions:				
Assets received	-	29,510	29,510	27,885
Discounts recognized[1]	-	(19,925)	(19,925)	(19,416)
	-	9,585	9,585	8,469
Change in value of agreements:				
Investment return, net	-	155,085	155,085	19,485
Payments to beneficiaries	(420)	(19,294)	(19,714)	(16,232)
Actuarial adjustments and other changes in obligations	150	(85,978)	(85,828)	2,854
	(270)	49,813	49,543	6,107
Transfers and other changes, net	420	(5,822)	(5,402)	(1,633)
	$ (2,815)	$ 138,585	$ 135,770	$ 82,044

[1]*Represents the present value of estimated future benefit payments to beneficiaries.*

NOTE 18.
Net Tuition and Fees

Tuition and fees are recognized net of discounts granted in the form of undergraduate scholarships (including grants-in-aid to student-athletes) and graduate and professional fellowships. Net tuition and fees are comprised of the following for the years ended June 30:

	2021		
	Tuition and fees	*Scholarships and fellowships*	*Net tuition and fees*
Undergraduate programs	$ 511,846	$ (207,847)	$ 303,999
Graduate and professional programs	206,661	(149,487)	57,174
	$ 718,507	$ (357,334)	$ 361,173

	2020		
	Tuition and fees	*Scholarships and fellowships*	*Net tuition and fees*
Undergraduate programs	$ 486,704	$ (192,011)	$ 294,693
Graduate and professional programs	202,361	(143,602)	58,759
	$ 689,065	$ (335,613)	$ 353,452

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 19.
Grants and Contracts

The University recognized operating revenues based on direct expenditures and related indirect costs funded by grants and contracts as follows for the years ended June 30:

	Direct	*Indirect*	**2021** *Total*	**2020** *Total*
Provided for:				
Research	$ 113,680	$ 28,921	$ 142,601	$ 130,407
Other sponsored programs	17,530	667	18,197	16,825
	$ 131,210	$ 29,588	$ 160,798	$ 147,232

	Direct	*Indirect*	**2021** *Total*	**2020** *Total*
Provided by:				
Federal agencies	$ 89,774	$ 27,137	$ 116,911	$ 109,598
State and local agencies	625	40	665	510
Private organizations	40,811	2,411	43,222	37,124
	$ 131,210	$ 29,588	$ 160,798	$ 147,232

As reflected in *Note 10*, the University had received $65,200 in refundable advances on awards as of June 30, 2021. In addition, the University had unexpended grant awards of approximately $202,000 for which funding has not been received. Revenue for these awards will be recognized as their associated conditions are fulfilled.

Funding for federally sponsored research and other programs is received from the U.S. government, as well as from other universities and private organizations that subcontract sponsored research to the University. The University's primary sources of federal research support are the Department of Health and Human Services and the National Science Foundation.

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $18,206 for the year ended June 30, 2021, including $8,351 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2020, were $17,156, including $8,561 in ROTC scholarships.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 20.
Sales and Services of Auxiliary Enterprises

Revenues recognized from auxiliary enterprises are summarized as follows for the years ended June 30:

	2021	2020
Intercollegiate athletics:		
Contract-based revenues	$ 109,414	$ 115,768
Other revenues	5,140	20,934
Housing, dining, and other student revenue, net	91,143	77,397
Hospitality services	14,285	19,249
Bookstore and licensing	9,549	13,979
Event management services	255	4,624
Other auxiliary revenues	3,293	2,856
	$ 233,079	$ 254,807

NOTE 21.
Contingencies and Commitments

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

All funds expended in conjunction with government grants and contracts are subject to audit by government agencies. In the opinion of management, any liability resulting from these audits will not have a material effect on the University's financial position.

At June 30, 2021, the University also has contractual commitments of approximately $55,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $80,000.

University Administration

As of June 30, 2021

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