

A scenic photograph of the University of Notre Dame campus at sunset. The main building, with its iconic dome and tall spire, is silhouetted against a warm, golden sky. The building is reflected in a calm body of water in the foreground. Lush green trees frame the scene, and some leaves are visible in the foreground, slightly out of focus. The overall mood is peaceful and serene.

UNIVERSITY OF  
NOTRE DAME

2022 ANNUAL REPORT

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# MESSAGE FROM THE PRESIDENT

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

We are pleased to offer this report on the University of Notre Dame's finances for the fiscal year ending June 30, 2022.

It has been a year of reconnection and renewal as we return post-pandemic to more familiar ways of learning, teaching, and coming together as a community, while continuing to draw upon the important lessons of the last two years. For decades, one of Notre Dame's greatest strengths has been its ability to maintain a disciplined strategy that ensures the long-term financial health of the institution. Careful stewardship and planning in times of prosperity have allowed us to weather economic downturns without major disruptions, including during the financial storms that accompanied the global pandemic. Thanks to the superb leadership of our Executive Vice President Shannon Cullinan, Vice President and Chief Investment Officer Mike Donovan, Vice President for Finance Trent Grocock, and their respective teams—as well as the vision and unfailing support of the University's Board Chair, Jack Brennan, and our Board of Trustees—the University's financials were strong in 2022, even as market performance declined at the end of the fiscal year.

This foundation of financial stability, coupled with the extraordinary generosity of our benefactors, made it possible for us to do even more this year to ensure that a Notre Dame education is affordable and accessible to all students, with \$183 million in undergraduate need-based financial aid awarded, an increase of 36 percent over the last five years, and 19 percent of this year's undergraduate class either Pell-eligible or first-generation college students. It was also a record year in terms of research funding, with Notre Dame receiving \$244 million in research awards, surpassing the previous record of \$223 million set in 2021. This total includes nearly 800 separate awards from a broad array of federal, foundation, and industry sources.

One of the most important developments for the University this year was the election of John McGreevy by the University's Board of Trustees as Notre Dame's Provost, succeeding Marie Lynn Miranda, after a broad national search. John is a distinguished historian and former dean of Notre Dame's College of Arts and Letters. His successful tenure as dean of our largest college, his scholarly achievements, his commitment to academic excellence across the University, his understanding of Catholic higher education and support for Notre Dame's mission, and his embrace of our aspirations regarding diversity, equity, and inclusion make him an ideal leader for Notre Dame at this moment in our history.

John is currently leading the development of a University-wide strategic framework, a process we undertake every 10 years that considers the plans and aspirations of the colleges, schools, institutes, and other units to leverage current areas of strength, discern new opportunities, incentivize interdisciplinary collaboration, and make investments that have the potential to be transformative. We are confident that our new strategic framework, to be completed in spring 2023, will guide Notre Dame to even higher levels of excellence and impact in accord with its mission.

It is an exciting time at the University, and I am profoundly grateful to our faculty, administrators, staff, students, parents, benefactors, alumni, and friends for the creativity, dedication, resilience, and generosity they demonstrate each and every day. As we continue to adjust in today's rapidly changing environment, always poised to respond to new challenges and seek out new opportunities, Notre Dame is well positioned to achieve its aspirations and become—as first envisioned by our founder, Father Edward Sorin, C.S.C., over 180 years ago—ever more a great force for good in the world.





# Statistical Highlights

	Academic Years Ending May				
	2022	2021	2020	2019	2018
<b>Students</b>					
Undergraduate	8,973	8,874	8,732	8,617	8,576
Graduate and professional	4,166	3,935	3,951	3,990	3,891
Total fall enrollment	13,139	12,809	12,683	12,607	12,467
<b>Admissions</b>					
<b>Undergraduate</b>					
Applications	23,642	21,253	22,200	20,371	19,564
Offers of admission	3,562	4,035	3,515	3,608	3,702
Enrolled	2,059	2,193	2,051	2,070	2,051
Selectivity	15.1%	19.0%	15.8%	17.7%	18.9%
Yield	57.8%	54.3%	58.3%	57.4%	55.4%
<b>Graduate School<sup>1</sup></b>					
<b>Master's level</b>					
Applications	1,668	1,427	1,445	1,415	1,453
Offers of admission	325	333	330	286	257
Enrolled	194	170	216	190	190
Selectivity	19.5%	23.3%	22.8%	20.2%	17.7%
Yield	59.7%	51.1%	65.5%	66.4%	73.9%
<b>Doctoral level</b>					
Applications	4,529	4,242	3,970	3,790	3,749
Offers of admission	722	731	735	730	690
Enrolled	355	301	323	321	345
Selectivity	15.9%	17.2%	18.5%	19.3%	18.4%
Yield	49.2%	41.2%	43.9%	44.0%	50.0%
<b>Degrees Conferred<sup>2</sup></b>					
Baccalaureate	2,163	2,209	2,223	2,080	2,173
Master's (includes MBA)	1,288	1,047	1,160	1,129	1,003
Juris Doctorate	211	183	201	192	206
Doctorate-Research	287	239	239	242	281
Total degrees conferred	3,949	3,678	3,823	3,643	3,663
<b>Undergraduate</b>					
<b>Tuition Rate</b>					
	\$ 58,336	\$ 57,192	\$ 55,046	\$ 52,884	\$ 50,998
Percent increase over prior year	2.0%	3.9%	4.1%	3.7%	3.7%

<sup>1</sup> Does not include Graduate Architecture, Business, or Law

<sup>2</sup> Includes degrees awarded in all categories



# MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

SHANNON B. CULLINAN

While the day-to-day work of administration is often focused on the “how” of financing and executing University operations, the “why” of what we do is never lost on us. The tumult of the past few years has only served to underscore the mission-driven nature of our work. Our people give life to our mission, serving as a daily reminder that our work has an impact which no financial statement could ever adequately convey.

I am profoundly grateful to the various members of the Notre Dame family who have carried on with graceful determination no matter the obstacles. First among them are our students, whose willing sacrifices for the benefit of the larger community paved the way for what we have done since the onset of the pandemic. Likewise, our faculty continually adapted and never wavered in their extraordinary commitment to teaching, research, scholarship, and caring for our students.

Our staff again dug deep, continuing their heroic efforts to maintain a well-functioning campus in the face of unpredictable COVID variants. The pastoral support and devotion of the Congregation of Holy Cross remained a source of both comfort and inspiration to the entire community. Finally, I wish to thank our alumni, parents, and friends for their singular generosity, as they responded with warmth and enthusiasm to our vision for Notre Dame’s next chapter, delivering another record year for benefaction.

With gratitude to these stakeholders, we were able to balance our budget despite ongoing complexities. Moody’s Investors Service rewarded our long tradition of thoughtful stewardship by reaffirming our Aaa credit rating, noting our exceptional financial policy and liquidity, robust investment returns, and extremely strong philanthropic support.

The Notre Dame Endowment remains our single largest revenue stream. The endowment pool returned -6.9 percent for 2022, while our primary benchmark was down -13.5 percent. We are indebted to our investment team for their humble leadership and unapologetic commitment to finding the best and most mission-aligned asset managers in the world.

Our commitment to excellence extends to—and indeed depends on—our faculty and staff, their families, and the vitality of our surrounding region. We invested heavily in our employees during summer 2022 with a historic compensation increase totaling \$75 million recurring, which will be reflected in our 2023 financial statements.

Our ongoing investments of time and talent in the Northern Indiana region are also bearing fruit. Notre Dame, the South Bend–Elkhart Regional Partnership and a number of other key partners worked collaboratively to secure a \$50 million Regional Economic Acceleration and Development Initiative (READI) grant from the Indiana Economic Development Corporation (IEDC) in December 2021, building upon a similar \$42 million award from the IEDC in 2015 and a \$42 million Lilly Endowment grant in 2019. Thanks to these strong regional partnerships, Northern Indiana is becoming a magnet for innovation and economic development.

Environmental sustainability is a key priority for the University in this region and beyond. In May, the University opened a hydroelectric power generation facility on the St. Joseph River in downtown South Bend, which will produce 7 percent of our on-campus electricity needs.

“What though the odds be great or small,” go the words of our beloved fight song. While the odds have been considerable these past few years, they have been matched at every stage by the indomitable spirit of the Notre Dame family. This spirit continues to unite us in pursuit of our common goal: the advancement of a mission that was conceived nearly two centuries ago and which is as powerfully resonant today as it ever was. Thanks to all those who have played a role in moving the University forward, I am hopeful that—whatever the odds—Notre Dame will stand ever strong and true, a beacon for higher education and a place of deepest faith and service to the world.

*Shannon Cullinan*



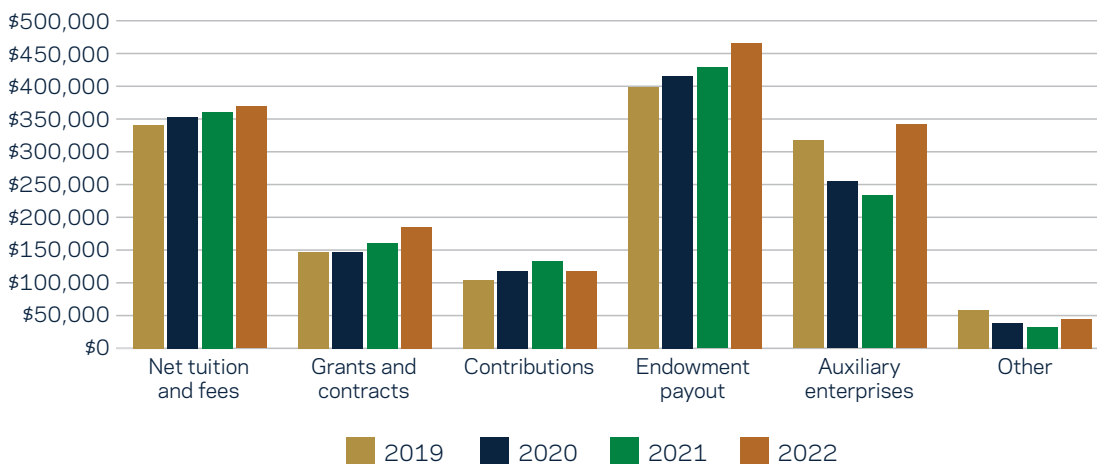
# Financial Overview

Notre Dame finished the year ended June 30, 2022, with strong financial results, underscoring the University's fiscal discipline across colleges, schools, and operating divisions. Revenues and expenses reflect a return to pre-pandemic levels of activity, particularly in auxiliary enterprises. Revenue diversification continued to be a highlight with growth in net tuition, endowment payout, auxiliary enterprises, and grants and contracts. Expense highlights include a decrease in general administration expenses along with increased investment in academic programs and research. Notre Dame's balance sheet remains exceptionally strong despite a market downturn in the latter half of the fiscal year.

## OPERATING REVENUES

Overall operating revenues grew by nearly \$175 million compared to 2021. Net tuition revenue grew modestly on the strength of undergraduate and graduate enrollment, while the proportion of gross tuition offset by scholarships and fellowships rose slightly. The increase in grant revenues in fiscal 2022 corresponds with the growth in multi-year awards over the past two years. Grant revenues are recognized as the associated research and other sponsored activities are performed. Contributions for operations remained strong thanks to generous support from the University's benefactors. The endowment payout rate remained steady for the prior year and was increased 6 percent for 2022 given the strong Endowment Pool performance. As reflected in *Chart 1*, revenue streams from auxiliary enterprises collectively experienced the sharpest increase over 2021.

*Chart 1—Operating Revenues by Source (in thousands)*



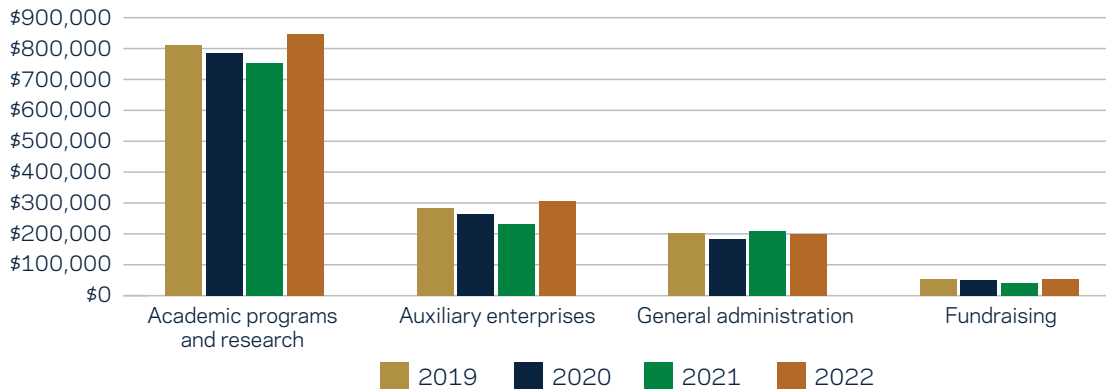
Health and safety protocols implemented during the final quarter of 2020 and carried through into 2021 disrupted many of the services and activities of campus life. Although student housing and dining recovered quickly, most other auxiliary enterprises felt the effects of disruption acutely in 2021. As those protocols were eliminated over the course of 2022, intercollegiate athletics, hospitality and events, and the campus bookstore were able to resume normal operations. Accordingly, the 2022 revenue streams from these enterprises reflect the emergence from prior pandemic conditions.

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## OPERATING EXPENSES

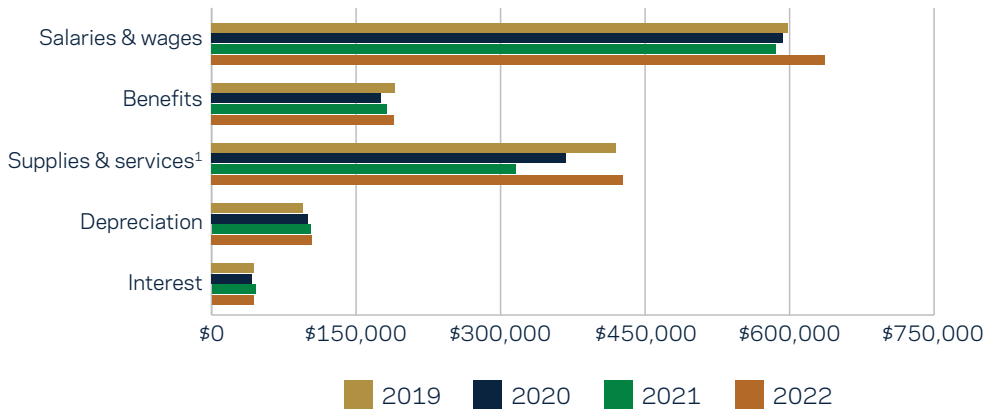
The proportion of 2022 operating expenses for academic programs and research remained consistent with recent years along with costs associated with fundraising activities. Expenses within auxiliary enterprises rose as a proportion of total expenses. However, the corresponding auxiliary revenues outpaced this growth with the easing of various COVID health and safety protocols. Conversely, the phasing out of COVID-19 testing programs and related safety measures contributed to a modest reduction in the proportion of general administration costs in 2022.

*Chart 2—Operating Expenses by Function (in thousands)*



The decisions made in 2020 and 2021, including a hiring freeze and restrictions on travel, primarily impacted compensation and supplies/services. Therefore, the contrast of 2020 and 2021 expenses with those unconstrained by such policies in 2019 and 2022 is more evident in *Chart 3*, which illustrates comparative operating expenses by natural classification.

*Chart 3—Operating Expenses by Natural Classification (in thousands)*



<sup>1</sup>Includes non-labor expenses such as various supplies and non-capitalized equipment, professional services, travel, etc.

The sunset of COVID-based restrictions is not the only driver of expense growth in 2022. Similar to the rest of the nation, the University experienced the impacts of a tight labor market during the year, particularly as it sought to fill positions in areas rebounding from pandemic-related curtailments. Accordingly, the University adjusted compensation levels and employed additional strategies to compete for and retain talent. Inflationary pressure on non-labor costs, such as food and travel, was also a factor in expense growth over 2021.

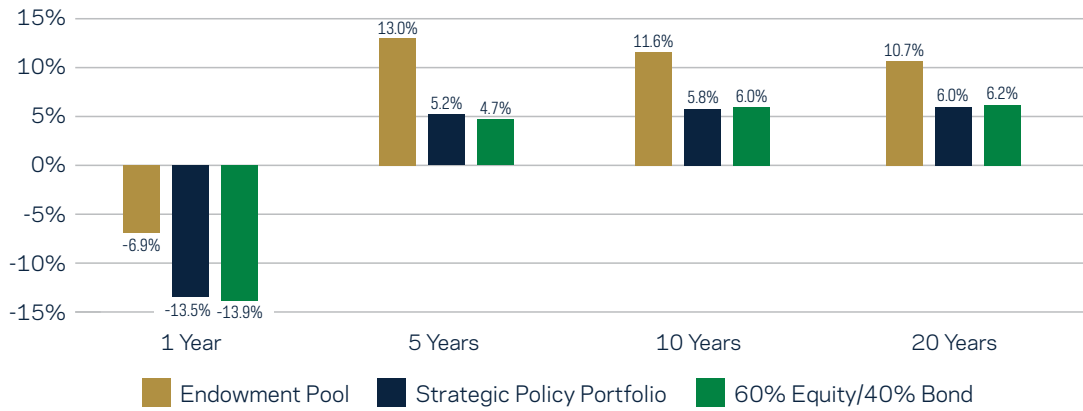
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## INVESTMENT REVIEW

On the heels of the 53.2 percent investment return in 2021, the second-highest one-year return in its history, the Endowment Pool returned -6.9 percent for fiscal 2022. The effect of the sharp downturn in public equity markets, especially in the final quarter, was tempered by performance in private equity and multi-strategy portfolios, which outperformed their respective benchmarks for the year. Investment returns are once again the primary driver of the change in overall net assets given the proportion of the University’s assets held in the Endowment Pool.

The Endowment Pool has a long-term investment horizon which aligns with the goal to provide funding for the University’s mission in perpetuity. Performance is measured against a variety of benchmarks over short and longer-term periods. Despite the -6.9 percent overall return for 2022, performance for the fiscal year and over longer durations remains strong relative to these benchmarks, as illustrated in *Chart 4*.

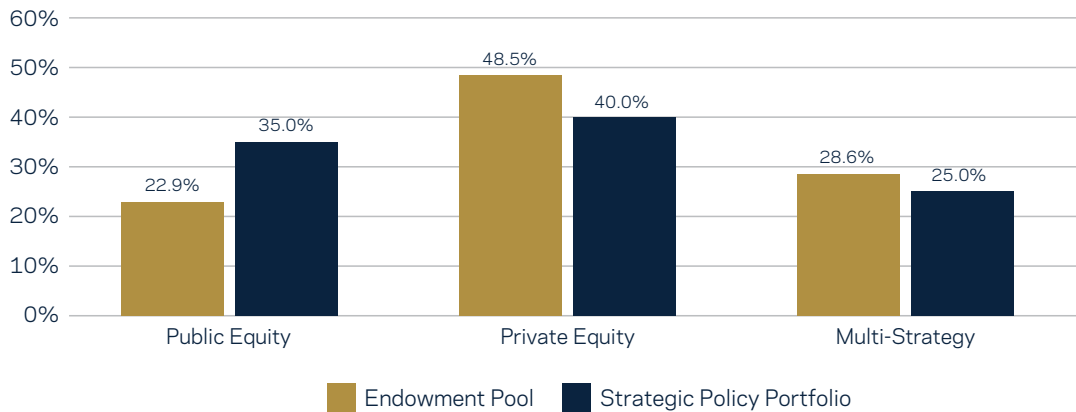
*Chart 4—Endowment Pool Investment Performance (annualized returns)*



*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 60/40 mix is an index blend of stocks/bonds as represented by the MSCI All Country World Investable Index and the Barclays Capital U.S. Aggregate Bond Index and is a measure of performance compared to a more traditional or retail portfolio.*

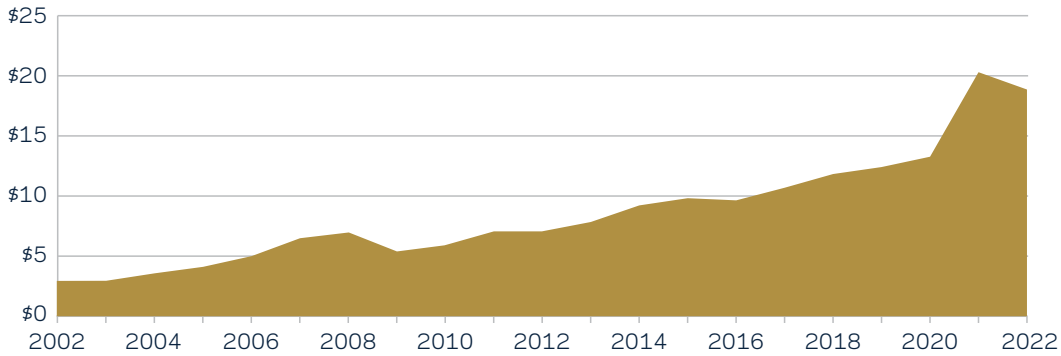
The Endowment Pool portfolio targets an asset allocation focused on long-term capital appreciation, while remaining highly diversified. The multi-strategy portfolio includes fixed income assets to promote income stability and other diversifiers with return prospects less correlated to equity markets. Allocations relative to the Strategic Policy Portfolio targets, as illustrated in Chart 5, reflect tactical decisions and the downturn in public equities in the second half of the fiscal year.

*Chart 5—Endowment Pool Asset Allocation as of June 30, 2022*



The year-end market value of \$18.9 billion, excluding assets held on behalf of religious affiliates, is the result of the investment return for the year plus inflows to the Endowment Pool net of endowment payout.

Chart 6—Endowment Pool<sup>1</sup> Market Value (in billions)

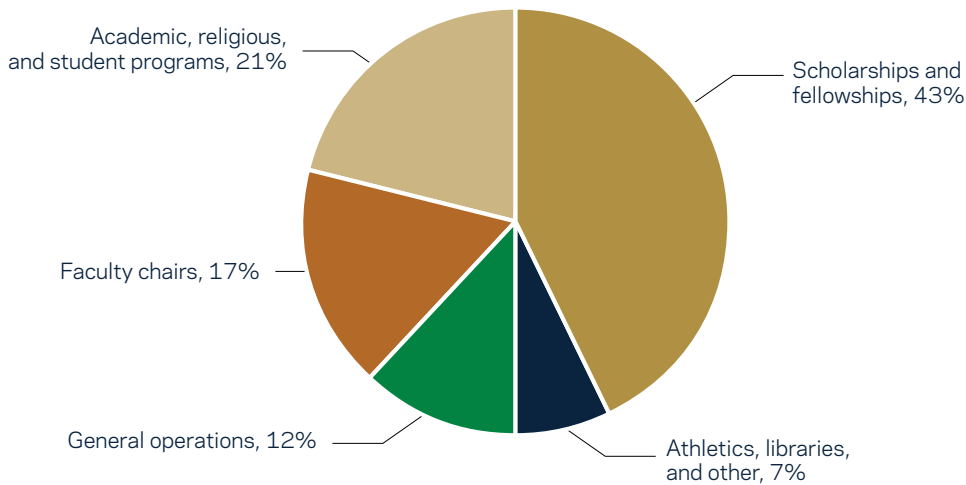


<sup>1</sup>Excludes assets held on behalf of religious affiliates.

Endowment payout totaling \$499 million was distributed for spending during 2022, \$466 million of which provided support for operating purposes with the remainder supporting campus infrastructure projects. As illustrated previously in Chart 1, annual payout from endowment constitutes the University’s largest individual source of operating revenues. Growth in endowment payout 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 an important source of flexible operating revenue.

More than 40 percent of the endowment payout for 2022 directly supported scholarships and fellowships, which is critical to maintaining need-blind admissions and the University’s commitment to meet full undergraduate financial need.

Chart 7—2022 Endowment Payout for Operations

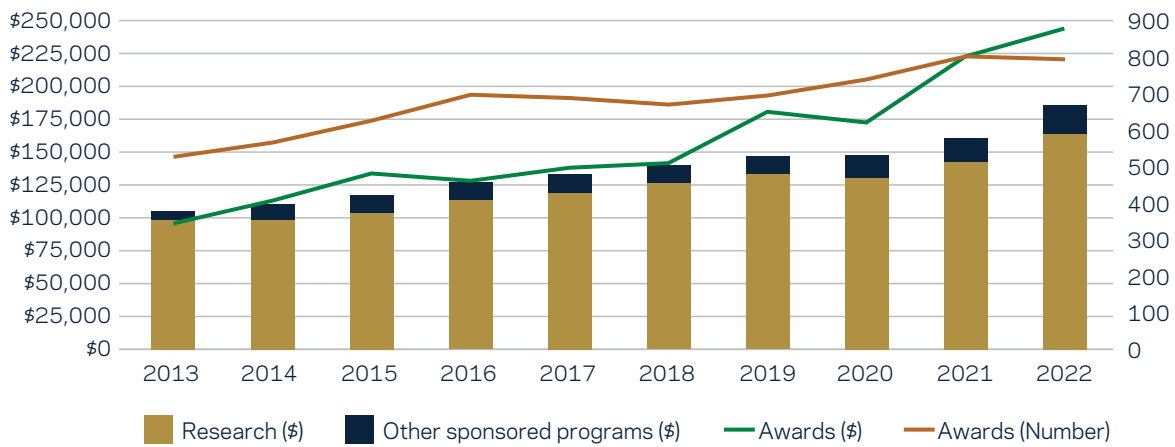


Despite the volume of direct endowment support for financial aid, approximately one-third of the \$382 million in scholarships and fellowships awarded in 2022 was covered by allocations from the University's general operating budget. Thus, the 12 percent portion of endowment payout designated for general operations also contributed to maintaining the level of financial assistance to students.

## RESEARCH AND SPONSORED PROGRAMS

The growth of sponsored research remained strong in 2022. The University received nearly 800 new awards, just short of its 2021 total. Awards generally provide direct funding for research and programmatic activity.

*Chart 8—Grants and Contracts Revenues and Awards (\$ in thousands)*

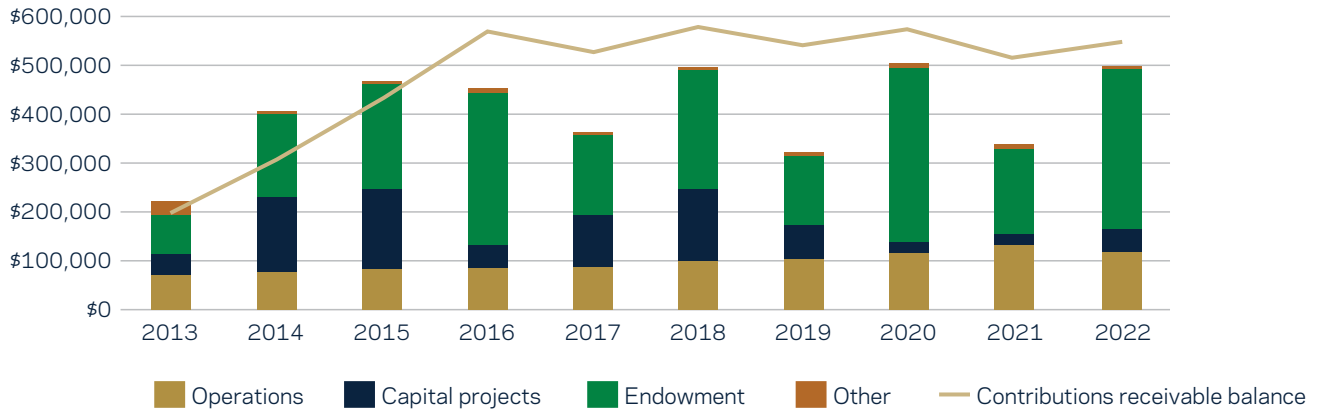


Federal agencies, such as the National Science Foundation and the Department of Health and Human Services, continued to account for more than 70 percent of grants and contracts revenues. The volume of active awards in 2022 translated into a \$25 million increase in grants and contracts revenues over 2021.

## PHILANTHROPIC SUPPORT

University benefactors continue to support Notre Dame’s present and future mission-related priorities with tremendous generosity, as demonstrated in *Chart 9*.

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

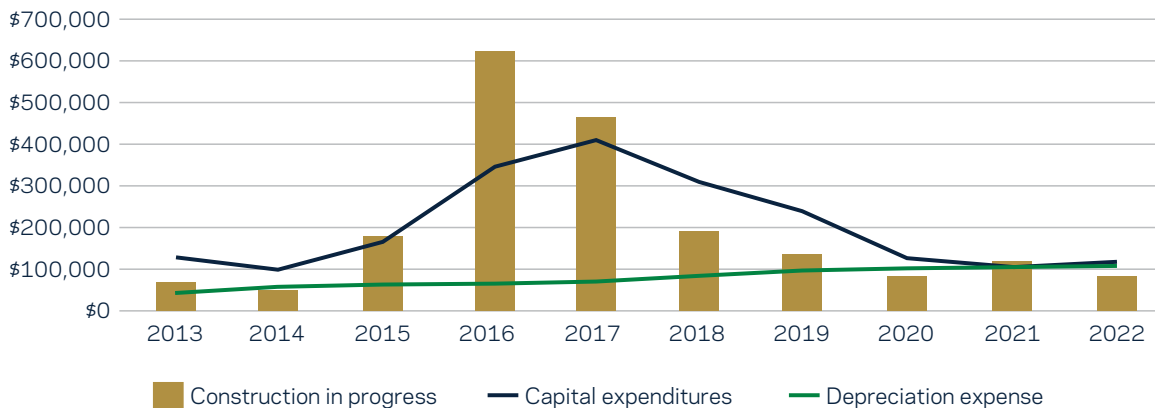


Contributions for operations represent a steady annual source of expendable funding. Non-operating contributions, which are primarily gifts for investment in endowment and capital projects, are more variable from year-to-year in mix and volume. For example, the level of capital project contributions corresponds with the historic expansion of campus facilities depicted in *Chart 10*. Contributions receivable balances have held steady following the Boldly Notre Dame campaign (2014–2020), as the volume of new pledges, mostly for endowment, remains strong.

## CAMPUS FACILITIES

Capital spending has returned to more traditional levels following a significant expansion of campus facilities, including the Campus Crossroads project completed in 2018.

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



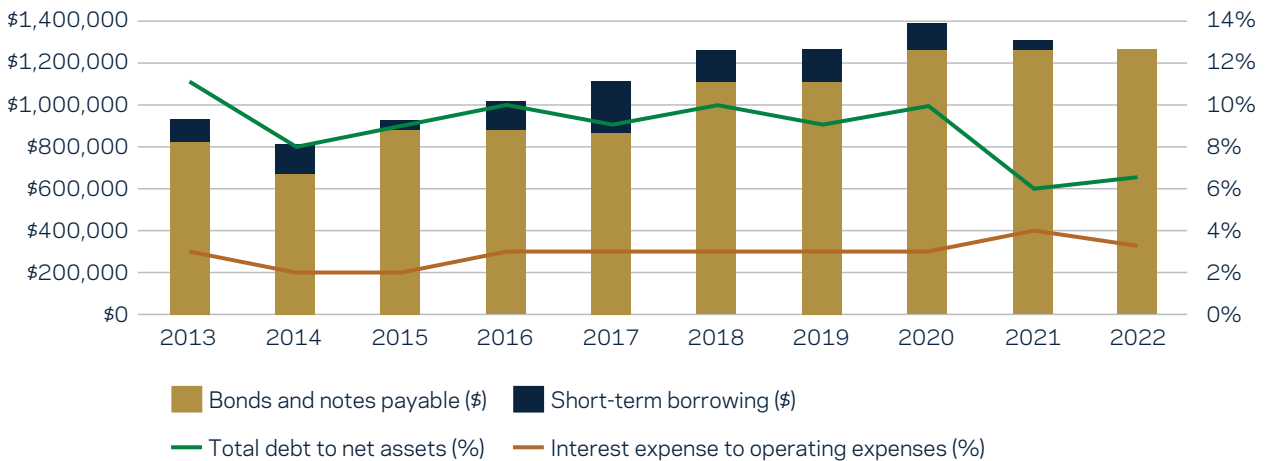
During 2022 the University placed new academic and conference facilities into service, as well as a hydroelectric dam on the nearby St. Joseph River that is expected to generate approximately 7 percent of the University's annual electricity needs. Construction of a new art museum and interdisciplinary research facility were among the projects in process at the end of 2022.

## LIQUIDITY AND FINANCING

At the onset of the 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 loan (repaid in 2021) and an expansion of lines of credit with commercial banks. 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 the University's Aaa credit rating.

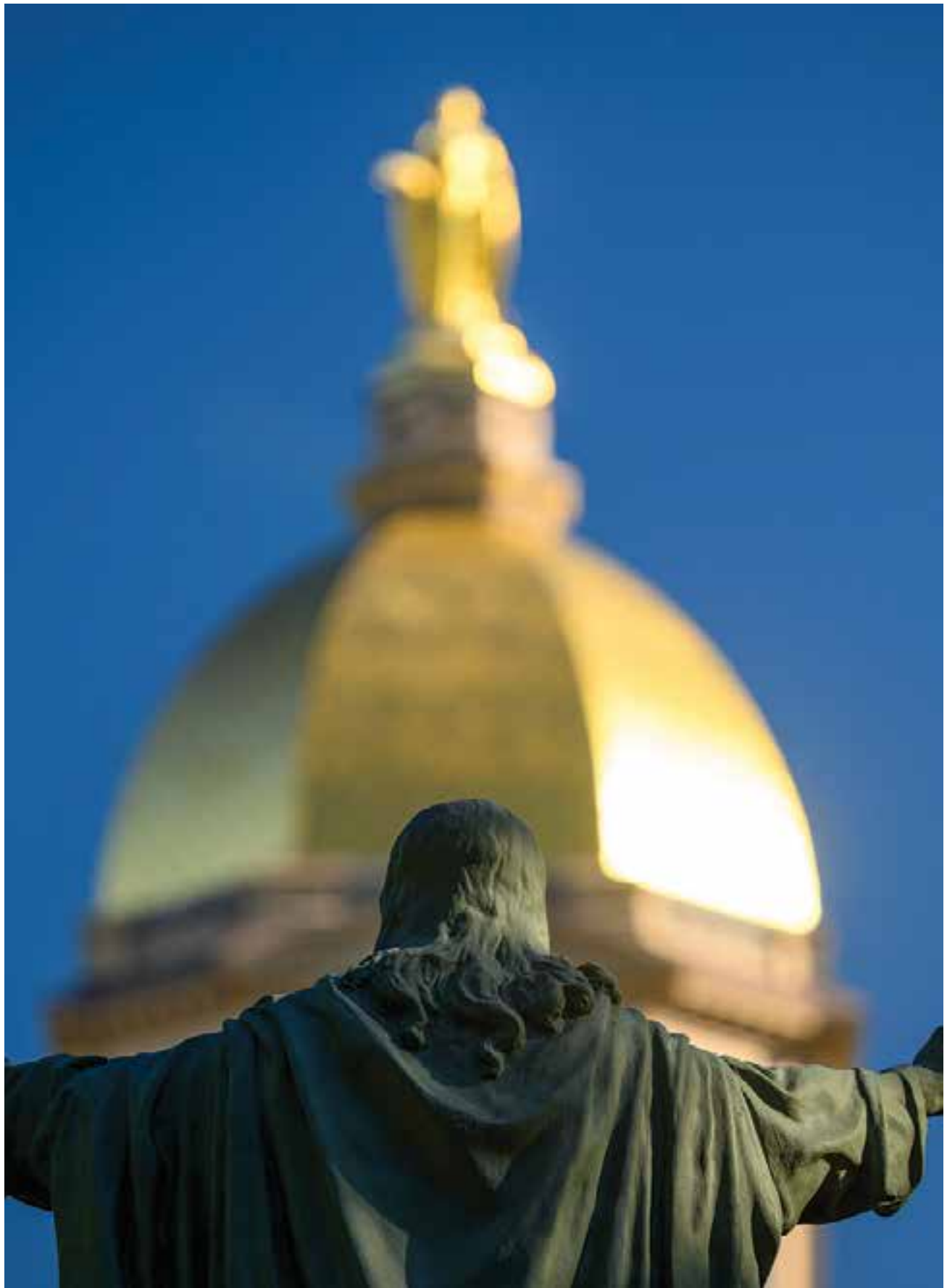
The University did not make changes to its long-term debt portfolio in 2021 or 2022. Despite the dramatic rise in interest rates during 2022, borrowing costs remained steady given the fixed rate nature of Notre Dame's long-term debt. Rising rates, however, continued to drive positive changes in the market value of the University's forward-starting swaps that locked in fixed rates in anticipation of future bond issues, resulting in a \$51 million non-operating mark-to-market gain.

*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 experienced in 2021 is evident in the dramatic reduction in the ratio of debt to net assets over the past two years.





# Consolidated Financial Statements

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## *To the Board of Trustees of the University of Notre Dame du Lac*

### **Opinion**

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, 2022 and 2021, and the related consolidated statements of changes in net assets, of functional expenses and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are issued.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Chicago, Illinois

November 11, 2022



# Consolidated Statements of Financial Position

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(in thousands)

	As of June 30	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 104,938	\$ 148,031
Accounts receivable, net (Note 3)	76,628	68,011
Deferred charges and other assets (Note 4)	158,733	117,559
Contributions receivable, net (Note 5)	550,462	515,474
Notes receivable, net (Note 6)	16,522	19,013
Investments (Note 7)	21,133,580	22,845,772
Land, buildings, and equipment, net of accumulated depreciation (Note 8)	2,558,678	2,549,285
<b>TOTAL ASSETS</b>	<b>\$ 24,599,541</b>	<b>\$ 26,263,145</b>
<b>Liabilities</b>		
Accounts payable	\$ 48,506	\$ 92,639
Short-term borrowing (Note 9)	4,000	43,003
Deferred revenue and refundable advances (Note 10)	221,456	168,469
Deposits and other liabilities (Note 11)	303,042	304,814
Liabilities associated with investments (Note 7)	2,232,999	2,494,892
Obligations under split-interest agreements (Note 17)	307,406	311,957
Bonds and notes payable (Note 12)	1,263,512	1,264,576
Pension and other postretirement benefit obligations (Note 14)	73,945	104,218
<b>TOTAL LIABILITIES</b>	<b>4,454,866</b>	<b>4,784,568</b>
<b>Net Assets</b>		
Without donor restrictions (Note 15)	9,279,548	9,756,218
With donor restrictions (Note 15)	10,865,127	11,722,359
<b>TOTAL NET ASSETS</b>	<b>20,144,675</b>	<b>21,478,577</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,599,541</b>	<b>\$ 26,263,145</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

(in thousands)

	Years ended June 30			
	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
<b>Operating Revenues and Other Additions</b>				
Net tuition and fees (Note 18)	\$ 369,306	\$ -	\$ 369,306	\$ 361,173
Grants and contracts (Note 19)	185,539	-	185,539	160,798
Contributions	56,793	60,920	117,713	133,695
Endowment payout (Note 16)	161,022	304,781	465,803	428,881
Sales and services of auxiliary enterprises (Note 20)	341,758	-	341,758	233,079
Other sources	44,731	-	44,731	32,834
<b>TOTAL OPERATING REVENUES</b>	<b>1,159,149</b>	<b>365,701</b>	<b>1,524,850</b>	<b>1,350,460</b>
Net assets released from restrictions (Note 15)	339,463	(339,463)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER ADDITIONS</b>	<b>1,498,612</b>	<b>26,238</b>	<b>1,524,850</b>	<b>1,350,460</b>
<b>Operating Expenses</b>	<b>(1,402,215)</b>	<b>-</b>	<b>(1,402,215)</b>	<b>(1,234,582)</b>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>96,397</b>	<b>26,238</b>	<b>122,635</b>	<b>115,878</b>
<b>Non-Operating Changes in Net Assets</b>				
Contributions	41,611	340,065	381,676	204,772
Investment return (Note 7)	(658,361)	(754,777)	(1,413,138)	6,899,731
Endowment payout (Note 16)	(161,022)	(304,781)	(465,803)	(428,881)
Gain on debt-related derivatives (Note 13)	50,762	-	50,762	83,063
Net assets released from restrictions (Note 15)	98,886	(98,886)	-	-
Postretirement benefits-related changes (Note 14):				
Net periodic benefit costs	429	-	429	(5,705)
Other changes	35,329	-	35,329	68,643
Change in value of split-interest agreements (Note 17)	5	(39,749)	(39,744)	49,543
Other non-operating changes	19,294	(25,342)	(6,048)	(1,960)
<b>INCREASE/(DECREASE) IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<b>(573,067)</b>	<b>(883,470)</b>	<b>(1,456,537)</b>	<b>6,869,206</b>
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	<b>(476,670)</b>	<b>(857,232)</b>	<b>(1,333,902)</b>	<b>6,985,084</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>9,756,218</b>	<b>11,722,359</b>	<b>21,478,577</b>	<b>14,493,493</b>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 9,279,548</b>	<b>\$ 10,865,127</b>	<b>\$ 20,144,675</b>	<b>\$ 21,478,577</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

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(in thousands)

	Year ended June 30		
	Without donor restrictions	With donor restrictions	<b>2021 Total</b>
<b>Operating Revenues and Other Additions</b>			
Net tuition and fees (Note 18)	\$ 361,173	\$ -	\$ 361,173
Grants and contracts (Note 19)	160,798	-	160,798
Contributions	53,091	80,604	133,695
Endowment payout (Note 16)	149,591	279,290	428,881
Sales and services of auxiliary enterprises (Note 20)	233,079	-	233,079
Other sources	32,834	-	32,834
<b>TOTAL OPERATING REVENUES</b>	<b>990,566</b>	<b>359,894</b>	<b>1,350,460</b>
Net assets released from restrictions (Note 15)	301,375	(301,375)	-
<b>TOTAL OPERATING REVENUES AND OTHER ADDITIONS</b>	<b>1,291,941</b>	<b>58,519</b>	<b>1,350,460</b>
<b>Operating Expenses</b>			
	(1,234,582)	-	(1,234,582)
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>57,359</b>	<b>58,519</b>	<b>115,878</b>
<b>Non-Operating Changes in Net Assets</b>			
Contributions	21,247	183,525	204,772
Investment return (Note 7)	3,185,507	3,714,224	6,899,731
Endowment payout (Note 16)	(149,591)	(279,290)	(428,881)
Gain on debt-related derivatives (Note 13)	83,063	-	83,063
Net assets released from restrictions (Note 15)	47,496	(47,496)	-
Postretirement benefits-related changes (Note 14):			
Net periodic benefit costs	(5,705)	-	(5,705)
Other changes	68,643	-	68,643
Change in value of split-interest agreements (Note 17)	(270)	49,813	49,543
Other non-operating changes	(1,524)	(436)	(1,960)
<b>INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<b>3,248,866</b>	<b>3,620,340</b>	<b>6,869,206</b>
<b>INCREASE IN NET ASSETS</b>	<b>3,306,225</b>	<b>3,678,859</b>	<b>6,985,084</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>6,449,993</b>	<b>8,043,500</b>	<b>14,493,493</b>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 9,756,218</b>	<b>\$ 11,722,359</b>	<b>\$ 21,478,577</b>

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Functional Expenses

(in thousands)

						Year ended June 30	
	Salaries & wages	Benefits	Supplies & services	Depreciation (Note 8)	Interest	<b>2022</b> Total	
<b>Operating Expenses</b>							
Academic programs and research	\$ 431,283	\$ 106,050	\$ 226,969	\$ 55,858	\$ 26,018	\$ 846,178	
Auxiliary enterprises	98,782	31,137	123,247	42,297	8,865	304,328	
General administration	77,348	44,249	64,780	5,858	6,848	199,083	
Fundraising	29,766	8,165	12,700	224	1,771	52,626	
<b>TOTAL OPERATING EXPENSES</b>	<b>637,179</b>	<b>189,601</b>	<b>427,696</b>	<b>104,237</b>	<b>43,502</b>	<b>1,402,215</b>	
<b>Non-Operating Expenses</b>							
Net periodic benefit costs (Note 14)	-	(429)	-	-	-	(429)	
Expenses of consolidated company	-	-	7,835	2,619	1,690	12,144	
<b>TOTAL EXPENSES</b>	<b>\$ 637,179</b>	<b>\$ 189,172</b>	<b>\$ 435,531</b>	<b>\$ 106,856</b>	<b>\$ 45,192</b>	<b>\$ 1,413,930</b>	

						Year ended June 30	
	Salaries & wages	Benefits	Supplies & services	Depreciation (Note 8)	Interest	<b>2021</b> Total	
<b>Operating Expenses</b>							
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	
<b>TOTAL OPERATING EXPENSES</b>	<b>587,022</b>	<b>182,558</b>	<b>316,619</b>	<b>102,773</b>	<b>45,610</b>	<b>1,234,582</b>	
<b>Non-Operating Expenses</b>							
Net periodic benefit costs (Note 14)	-	5,705	-	-	-	5,705	
Expenses of consolidated company	-	-	7,103	2,276	1,733	11,112	
<b>TOTAL EXPENSES</b>	<b>\$ 587,022</b>	<b>\$ 188,263</b>	<b>\$ 323,722</b>	<b>\$ 105,049</b>	<b>\$ 47,343</b>	<b>\$ 1,251,399</b>	

See accompanying notes to consolidated financial statements.

(in thousands)

	Years ended June 30	
	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Increase/(decrease) in net assets	\$ (1,333,902)	\$ 6,985,084
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net (gain)/loss on investments	1,502,226	(6,894,609)
Contributions for long-term investment	(219,096)	(170,266)
Contributed securities	(120,521)	(106,456)
Proceeds from sales of securities contributed for operations	10,573	10,523
Depreciation	106,856	105,049
Loss on disposal of land, buildings, and equipment	3,211	7,337
Change in contributions receivable	(34,988)	58,341
Change in value of split-interest agreements	39,744	(49,543)
Change in pension and other postretirement benefit obligations	(30,273)	(66,585)
Changes in operating assets and liabilities:		
Accounts receivable and deferred charges and other assets	(49,791)	(70,916)
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	6,719	64,047
Other, net	14,129	3,374
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(105,113)</b>	<b>(124,620)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	14,047,573	11,435,108
Purchases of investments	(14,087,516)	(11,452,946)
Purchases of land, buildings, and equipment	(115,043)	(104,637)
Student and other loans granted	(2,375)	(3,499)
Student and other loans repaid	4,770	5,629
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(152,591)</b>	<b>(120,345)</b>
<b>Cash Flows from Financing Activities</b>		
Investment income restricted for non-operational purposes	7,536	6,381
Contributions for long-term investment	236,323	190,191
Proceeds from sales of securities contributed for long-term investment	109,948	93,829
Proceeds from short-term borrowing	293,269	84,693
Repayment of short-term borrowing	(332,272)	(166,690)
Payments to beneficiaries of split-interest agreements	(24,849)	(19,714)
Repayment of bonds and notes	(1,064)	(1,021)
Collateral received on debt-related derivatives	20,920	-
Return of government advances for student loans	(3,376)	(4,497)
Cash accepted for investment on behalf of religious affiliates	26,093	79,542
Cash returned to religious affiliates	(96,997)	(84,213)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>235,531</b>	<b>178,501</b>
<b>NET DECREASE IN CASH BALANCES</b>	<b>(22,173)</b>	<b>(66,464)</b>
<b>CASH BALANCES AT BEGINNING OF YEAR</b>	<b>148,031</b>	<b>214,495</b>
<b>CASH BALANCES AT END OF YEAR</b>	<b>\$ 125,858</b>	<b>\$ 148,031</b>
<b>Cash balances reflected in the consolidated statements of financial position:</b>		
Cash and cash equivalents	\$ 104,938	\$ 148,031
Deferred charges and other assets	20,920	-
	<b>\$ 125,858</b>	<b>\$ 148,031</b>
<b>Supplemental Data</b>		
Interest paid	\$ 45,196	\$ 46,576

See accompanying 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 net 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.

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.

(All amounts in thousands)

## **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 activities are not completed. 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 future years 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.

## **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.

(All amounts in thousands)

#### 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.

#### 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") as a practical expedient. The reported partner's capital or NAV provided by associated external investment managers 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 DERIVATIVES

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.

#### 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.

(All amounts in thousands)

#### **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 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.

#### **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.

#### **SUBSEQUENT EVENTS**

The University has evaluated subsequent events through November 11, 2022, the date the financial statements were issued. No events requiring disclosure were identified.

(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:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 104,938	\$ 148,031
Accounts receivable, net (Note 3)	76,628	68,011
Contributions receivable, net (Note 5)	77,124	72,438
Notes receivable (Note 6)	2,749	2,715
Investments approved for appropriation in the subsequent year	554,787	499,298
Total financial assets available within one year	816,226	790,493
Undrawn lines of credit (Note 9)	346,000	417,000
Unissued commercial paper (Note 9)	400,000	364,997
Total financial assets and liquidity resources available within one year	<u>\$ 1,562,226</u>	<u>\$ 1,572,490</u>

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 nearly \$4.5 billion in investment assets at June 30, 2022, 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.

## NOTE 3. Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	<b>2022</b>	<b>2021</b>
Research and other sponsored programs support	\$ 37,191	\$ 31,398
Rights and royalties receivable	16,516	22,751
Other receivables	23,728	22,676
	77,435	76,825
Less allowances for uncollectible amounts	807	8,814
	<u>\$ 76,628</u>	<u>\$ 68,011</u>

(All amounts in thousands)

#### NOTE 4. Deferred Charges and Other Assets

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

	<b>2022</b>	<b>2021</b>
Debt-related derivatives (Note 13)	\$ 60,148	\$ 40,257
Operating lease right-of-use assets	33,528	36,711
Collateral on debt-related derivatives (Note 13)	20,920	-
Prepaid expenses	20,390	16,285
Goodwill	6,455	6,455
Beneficial interests in perpetual trusts	5,343	6,610
Retail and other inventories	5,253	5,297
Other deferred charges	6,696	5,944
	<u>\$ 158,733</u>	<u>\$ 117,559</u>

#### NOTE 5. Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	<b>2022</b>	<b>2021</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 251,010	\$ 194,289
One year to five years	279,582	268,834
More than five years	173,533	181,220
	<u>704,125</u>	<u>644,343</u>
Less unamortized discounts and allowances	153,663	128,869
	<u>\$ 550,462</u>	<u>\$ 515,474</u>

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2022 and 2021. Of the net amount expected to be collected in less than one year, only \$77,124 is expected to be available for operating and capital expenses, as described in Note 2.

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

	<b>2022</b>	<b>2021</b>
Expendable funds restricted for (Note 15):		
Operating purposes	\$ 63,234	\$ 88,293
Investment in land, buildings, and equipment	115,417	116,370
	<u>178,651</u>	<u>204,663</u>
Endowment funds (Notes 15 and 16):		
Donor-restricted endowment	370,939	309,714
University-designated endowment	872	1,097
	<u>371,811</u>	<u>310,811</u>
	<u>\$ 550,462</u>	<u>\$ 515,474</u>

As of June 30, 2022, the University had received conditional pledges of \$28,030, 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.



(All amounts in thousands)

## NOTE 6. Notes Receivable

Notes receivable are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
Student notes receivable, related to:		
Government sponsored loan programs	\$ 4,748	\$ 8,158
Institutional student loans	10,135	9,824
	<u>14,883</u>	<u>17,982</u>
Less allowances for uncollectible student notes	413	1,543
	<u>14,470</u>	<u>16,439</u>
Other notes receivable	2,052	2,574
	<u>\$ 16,522</u>	<u>\$ 19,013</u>

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 \$4,649 and \$7,495 at June 30, 2022 and 2021, respectively. As described in Note 2, note receivable collections of \$2,749 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.

## NOTE 7. Investments

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

	<u>2022</u>	<u>2021</u>
Notre Dame Endowment Pool assets	\$ 20,794,960	\$ 22,464,776
Other investments, associated with:		
Endowment and other University designations	104,744	103,245
Split-interest agreements (Note 17)	2,566	8,071
Defined benefit pension plan (Note 14)	231,310	269,680
	<u>338,620</u>	<u>380,996</u>
	<u>\$ 21,133,580</u>	<u>\$ 22,845,772</u>

Liabilities associated with investments include the following at June 30:

	<u>2022</u>	<u>2021</u>
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	\$ 2,001,689	\$ 2,225,212
Defined benefit pension plan (Note 14)	231,310	269,680
	<u>\$ 2,232,999</u>	<u>\$ 2,494,892</u>

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:

	<u>2022</u>	<u>2021</u>
NDEP assets	\$ 20,794,960	\$ 22,464,776
Equity interest in consolidated company <sup>1</sup>	64,830	64,830
NDEP net assets unitized	<u>\$ 20,859,790</u>	<u>\$ 22,529,606</u>

<sup>1</sup>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.

(All amounts in thousands)

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:

	2022	2021
University funds:		
Endowment and funds functioning as endowment	\$ 16,676,084	\$ 18,001,145
Working capital and other University designations	1,775,683	1,861,478
Student loan funds	1,949	2,115
Split-interest agreements (Note 17)	404,385	439,656
	<u>18,858,101</u>	<u>20,304,394</u>
Funds invested on behalf of religious affiliates <sup>2</sup>	2,001,689	2,225,212
	<u>\$ 20,859,790</u>	<u>\$ 22,529,606</u>

<sup>2</sup>NDEP holdings were redeemable by religious affiliates at \$9,760.46 and \$9,636.18 per unit (whole dollars) at June 30, 2022 and 2021, respectively.

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, 2022 and 2021, respectively:

	2022		
	NDEP	Other Investments	Total
Short-term investments	\$ 1,762,334	\$ 2,176	\$ 1,764,510
Public equities	4,739,428	63,465	4,802,893
Private equity	10,117,500	32,092	10,149,592
Multi-strategy	4,175,698	9,577	4,185,275
	<u>20,794,960</u>	<u>107,310</u>	<u>20,902,270</u>
Defined benefit pension plan investments (Note 14)	-	231,310	231,310
	<u>\$ 20,794,960</u>	<u>\$ 338,620</u>	<u>\$ 21,133,580</u>
	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
	<u>22,464,776</u>	<u>111,316</u>	<u>22,576,092</u>
Defined benefit pension plan investments (Note 14)	-	269,680	269,680
	<u>\$ 22,464,776</u>	<u>\$ 380,996</u>	<u>\$ 22,845,772</u>

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 (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:

	<b>2022</b>	<b>2021</b>
Public equities	\$ 166,639	\$ 173,380
Private equity	3,653,465	2,868,593
Multi-strategy	759,112	518,567
	<u>\$ 4,579,216</u>	<u>\$ 3,560,540</u>

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2022 and 2021, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	<b>2022</b>				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	\$ 2,176	\$ 1,762,334	\$ -	\$ -	\$ 1,764,510
Public equities:					
U.S.	1,354,670	-	-	705,164	2,059,834
Non-U.S.	425,738	11,793	-	2,040,820	2,478,351
Long/short strategies	-	-	-	264,708	264,708
Private equity	-	-	32,092	10,117,500	10,149,592
Multi-strategy:					
Core diversifiers	460,144	548	682,639	2,496,453	3,639,784
Fixed income	129,574	351,635	4,303	59,979	545,491
	<u>\$ 2,372,302</u>	<u>\$ 2,126,310</u>	<u>\$ 719,034</u>	<u>\$ 15,684,624</u>	<u>\$ 20,902,270</u>
	<b>2021</b>				
	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
	<u>\$ 2,946,336</u>	<u>\$ 2,257,257</u>	<u>\$ 619,412</u>	<u>\$ 16,753,087</u>	<u>\$ 22,576,092</u>

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.

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.

(All amounts in thousands)

At June 30, 2022 and 2021, the fair values of two Level 3 investments in the core diversifiers class were measured using two different techniques. The fair value of one investment was \$254,693 and \$195,612 at June 30, 2022 and 2021, respectively, and 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 second investment was \$427,946 and \$57,066 at June 30, 2022 and 2021, respectively, and was measured using a third-party appraisal developed using a market-based approach.

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, 2022:

	<i>Beginning balance</i>	<i>Acquisitions</i>	<i>Dispositions</i>	<i>Net gain/(loss)</i>	<i>Net transfers out</i>	<i>Ending balance</i>
Short-term investments	\$ -	\$ 4,926	\$ (4,807)	\$ (119)	\$ -	\$ -
Public equities:						
Non-U.S.	186,660	3,300	-	38,630	(228,590)	-
Long/short strategies	2,663	4,204	(4,961)	(1,906)	-	-
Private equity	61,083	239,206	(270,050)	1,853	-	32,092
Multi-strategy:						
Core diversifiers	312,023	410,715	(193,341)	153,242	-	682,639
Fixed income	56,983	65,628	(117,951)	(357)	-	4,303
	<u>\$ 619,412</u>	<u>\$ 727,979</u>	<u>\$ (591,110)</u>	<u>\$ 191,343</u>	<u>\$ (228,590)</u>	<u>\$ 719,034</u>

During the year ending June 30, 2022, a Level 3 investment in public equities was transferred to Level 1 upon its initial public offering.

During the year ended June 30, 2022, the University recognized net unrealized gains of \$155,432 on investments still held at June 30, 2022, 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, 2021:

	<i>Beginning balance</i>	<i>Acquisitions</i>	<i>Dispositions</i>	<i>Net gain</i>	<i>Net transfers in</i>	<i>Ending balance</i>
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
	<u>\$ 358,561</u>	<u>\$ 271,458</u>	<u>\$ (248,344)</u>	<u>\$ 138,904</u>	<u>\$ 98,833</u>	<u>\$ 619,412</u>

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.

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:

	<b>2022</b>	<b>2021</b>
Income	\$ 181,148	\$ 111,808
Net gain/(loss):		
Realized	1,487,518	1,915,531
Unrealized	(2,989,744)	4,979,078
Investment-related expenses	(92,060)	(106,686)
	<u>\$ (1,413,138)</u>	<u>\$ 6,899,731</u>
Without donor restrictions	\$ (658,361)	\$ 3,185,507
With donor restrictions	(754,777)	3,714,224
	<u>\$ (1,413,138)</u>	<u>\$ 6,899,731</u>

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:

	<b>2022</b>	<b>2021</b>
Land and land improvements	\$ 226,960	\$ 222,329
Buildings	3,055,137	2,933,660
Equipment	429,048	410,140
Construction in progress	83,890	119,291
	<u>3,795,035</u>	<u>3,685,420</u>
Less accumulated depreciation	1,236,357	1,136,135
	<u>\$ 2,558,678</u>	<u>\$ 2,549,285</u>

Depreciation expense was \$106,856 and \$105,049 for the years ended June 30, 2022 and 2021, respectively.

The University recorded accounts payable and construction retainage associated with construction in progress costs of \$8,326 and \$3,212, respectively, at June 30, 2022. Accounts payable and construction retainage associated with construction in progress costs were \$5,021 and \$4,119, respectively, at June 30, 2021.

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

	<b>2022</b>	<b>2021</b>
Beginning of year	\$ 26,453	\$ 25,731
Obligations settled	(158)	(171)
Revision in estimated cash flows	120	-
Accretion expense	922	893
End of year (Note 11)	<u>\$ 27,337</u>	<u>\$ 26,453</u>

(All amounts in thousands)

## NOTE 9. Short-term Borrowing

At June 30, 2022, 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, 2022, in the aggregate amount of \$775,000 to be utilized primarily for working capital purposes. Three lines of credit totaling \$425,000 mature during the year ending June 30, 2023. Termination dates for the remaining three lines of credit totaling \$350,000 ranged from January 2024 to December 2024.

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

	2022	2021
Commercial paper	\$ -	\$ 35,003
Lines of credit	4,000	8,000
	<u>\$ 4,000</u>	<u>\$ 43,003</u>

Total costs incurred on short-term borrowing, including interest and related fees, were approximately \$1,564 and \$3,714 for the years ended June 30, 2022 and 2021, respectively.

## NOTE 10. Deferred Revenue and Refundable Advances

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

	2022	2021
Refundable advances for research and other sponsored programs (Note 19)	\$ 108,990	\$ 65,200
Deferred ticket sales and other revenues from intercollegiate athletics	58,073	45,422
Deferred rental revenues	24,994	25,641
Deferred tuition and other student revenues	16,705	17,162
Government advances for student loans (Note 6)	4,649	7,495
Other deferred revenues	8,045	7,549
	<u>\$ 221,456</u>	<u>\$ 168,469</u>

## NOTE 11. Deposits and Other Liabilities

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

	2022	2021
Accrued compensation and employee benefits	\$ 88,596	\$ 89,553
Payroll and other taxes payable	50,876	52,574
Operating lease liabilities	33,528	36,711
Conditional asset retirement obligations (Note 8)	27,337	26,453
Debt-related derivatives (Note 13)	26,769	57,640
Obligation to return collateral on debt-related derivatives (Note 4)	20,920	-
Accrued interest expense	15,363	15,367
Student organization funds and other deposits	9,959	9,223
Other liabilities	29,694	17,293
	<u>\$ 303,042</u>	<u>\$ 304,814</u>

## Notes to Consolidated Financial Statements

(All amounts in thousands)

### NOTE 12. Bonds and Notes Payable

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

	<u>2022</u>	<u>2021</u>
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
	<u>1,222,890</u>	<u>1,222,890</u>
Obligations of consolidated company:		
Mortgage note payable	40,622	41,686
	<u>\$ 1,263,512</u>	<u>\$ 1,264,576</u>

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

2023	\$ 1,109
2024	1,155
2025	38,358
2026	7,890
2027	-
Thereafter	<u>1,215,000</u>
	<u>\$ 1,263,512</u>

#### 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:

	<i>Fiscal year of final maturity</i>	<i>Rate of interest</i>	<u>2022</u>	<u>2021</u>
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
			<u>\$ 1,215,000</u>	<u>\$ 1,215,000</u>

Interest costs incurred on Taxable Fixed Rate Bonds were \$41,425 and \$41,383 during the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021.

#### 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 \$1,690 and \$1,733 related to the note are reflected within non-operating changes in net assets without donor restrictions for the years ended June 30, 2022 and 2021, respectively.

(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, 2022, and June 30, 2021, 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. At June 30, 2022, the University held \$20,920 in collateral on debt-related interest rate swaps in asset positions.

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 \$26,769 and \$57,640 at June 30, 2022, and June 30, 2021, 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, 2022 and 2021, respectively, are summarized below:

	<b>2022</b>	<b>2021</b>
Notional amounts	\$ 354,894	\$ 354,894
Fair value, as reflected in the statements of financial position:		
Deferred charges and other assets (Note 4)	60,148	40,257
Deposits and other liabilities (Note 11)	26,769	57,640

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. Net gains of \$50,762 and \$83,063 were reported during the years ended June 30, 2022 and 2021, respectively. No periodic settlements were required for the years ended June 30, 2022 and 2021.



(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 \$42,694 and \$40,996 for the years ended June 30, 2022 and 2021, 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 and reimburse other eligible out-of-pocket medical expenses. 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:

	<b>2022</b>	<b>2021</b>
Liability for pension benefits:		
PBO at end of year	\$ 259,385	\$ 315,812
Less: Fair value of plan assets at end of year (Note 7)	231,310	269,680
	28,075	46,132
Liability for other postretirement benefits (APBO at year end)	45,870	58,086
	<u>\$ 73,945</u>	<u>\$ 104,218</u>

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

	<i>Pension benefits (PBO)</i>		<i>Other postretirement benefits (APBO)</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Beginning of year	\$ 315,812	\$ 317,717	\$ 58,086	\$ 59,926
Service cost	5,956	6,313	2,508	2,669
Interest cost	9,207	9,264	1,585	1,661
Actuarial gain	(59,313)	(5,916)	(14,730)	(4,564)
Benefit payments	(12,277)	(11,566)	(1,579)	(1,606)
End of year	<u>\$ 259,385</u>	<u>\$ 315,812</u>	<u>\$ 45,870</u>	<u>\$ 58,086</u>

Actuarial gains recognized during the year ended June 30, 2022 primarily reflect an increase in the discount rate used in measuring the respective benefit obligations at the report date. The accumulated benefit obligation associated with pension benefits was \$240,720 and \$295,376 at June 30, 2022 and 2021, respectively.

(All amounts in thousands)

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

	<u>2022</u>		<u>2021</u>	
Plan assets at beginning of year	\$	269,680	\$	206,840
Actual return on plan assets		(27,493)		63,383
Employer contributions		1,400		11,023
Benefit payments		(12,277)		(11,566)
Plan assets at end of year	\$	<u>231,310</u>	\$	<u>269,680</u>

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:

	<i>Pension benefits</i>		<i>Other postretirement benefits</i>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating expense—service cost	\$ 5,956	\$ 6,313	\$ 2,508	\$ 2,669
Non-operating components:				
Interest cost	9,207	9,264	1,585	1,661
Expected return on plan assets	(15,581)	(13,768)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	4,354	7,934	56	581
Amortization of prior service cost/(credit)	-	83	(50)	(50)
Net amortization	<u>4,354</u>	<u>8,017</u>	<u>6</u>	<u>531</u>
Total non-operating components	<u>(2,020)</u>	<u>3,513</u>	<u>1,591</u>	<u>2,192</u>
Total net periodic benefit cost	<u>\$ 3,936</u>	<u>\$ 9,826</u>	<u>\$ 4,099</u>	<u>\$ 4,861</u>

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.

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:

	<i>Pension benefits</i>		<i>Other postretirement benefits</i>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net actuarial gain	\$ 16,239	\$ 55,531	\$ 14,730	\$ 4,564
Adjustment for components of net periodic benefit cost recognized previously	4,354	8,017	6	531
	<u>\$ 20,593</u>	<u>\$ 63,548</u>	<u>\$ 14,736</u>	<u>\$ 5,095</u>

## Notes to Consolidated Financial Statements

(All amounts in thousands)

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:

	<i>Pension benefits</i>		<i>Other postretirement benefits</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net loss/(gain)	\$ 25,551	\$ 46,144	\$ (4,652)	\$ 10,134
Prior service credit	-	-	(110)	(160)
	<u>\$ 25,551</u>	<u>\$ 46,144</u>	<u>\$ (4,762)</u>	<u>\$ 9,974</u>

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:

	<i>Pension benefits</i>		<i>Other postretirement benefits</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Discount rate	4.75%	3.00%	4.75%	3.00%
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2028)			7.00%	6.50%

Discount rates are selected based on the yields of high-grade corporate bonds with maturities similar to the period over which projected benefits would be paid.

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

	<i>Pension benefits</i>		<i>Other postretirement benefits</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Discount rate	3.00%	3.00%	3.00%	3.00%
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)			6.50%	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, 2022, are as follows:

	<i>Pension benefits</i>		<i>Other postretirement benefits</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
2023	\$	12,942	\$	2,420
2024		13,487		2,559
2025		14,157		2,721
2026		14,809		2,904
2027		15,418		3,064

Projected aggregate payments for pension benefits and other postretirement benefits for the five-year period ending June 30, 2032, are \$85,725 and \$17,441, respectively. The University does not anticipate a required contribution to the defined benefit pension plan during the year ending June 30, 2023.

(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:

	2022	2021	Target
Short-term investments	0.9%	1.6%	0.0%
Public equities	55.2%	58.3%	55.0%
Multi-strategy	29.7%	27.3%	30.0%
Private equity	14.2%	12.8%	15.0%
	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.

## Notes to Consolidated Financial Statements

(All amounts in thousands)

Fair value measurements of plan investments at June 30, 2022 and 2021, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2022				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	\$ 2,171	\$ -	\$ -	\$ -	\$ 2,171
Public equities:					
U.S.	-	-	-	83,780	83,780
Non-U.S.	-	-	-	43,941	43,941
Multi-strategy	-	-	-	68,649	68,649
Private equity	-	-	-	32,769	32,769
	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,139</u>	<u>\$ 231,310</u>

	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
	<u>\$ 45,758</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 223,835</u>	<u>\$ 269,680</u>

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 \$25,807 and \$33,577 were uncalled at June 30, 2022 and 2021, respectively.

### NOTE 15.

#### Net Assets

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

	2022	2021
University-designated endowment (Note 16)	\$ 6,830,951	\$ 7,345,695
Other net assets	2,448,597	2,410,523
	<u>\$ 9,279,548</u>	<u>\$ 9,756,218</u>

(All amounts in thousands)

Net assets with donor restrictions are summarized as follows at June 30, 2022:

	<i>Purpose and/or time restrictions</i>	<i>Perpetual restrictions</i>	<i>Total</i>
Endowment funds (Note 16):			
Endowment and funds functioning as endowment	\$ 6,939,029	\$ 2,958,965	\$ 9,897,994
Term endowment	354	-	354
Contributions receivable (Note 5)	872	370,939	371,811
	<u>6,940,255</u>	<u>3,329,904</u>	<u>10,270,159</u>
Expendable funds restricted for:			
Operating purposes	244,916	-	244,916
Investment in land, buildings, and equipment	60,530	-	60,530
Contributions receivable (Note 5)	178,651	-	178,651
	<u>484,097</u>	<u>-</u>	<u>484,097</u>
Split-interest agreements (Note 17)	67,244	34,711	101,955
Other net assets	-	8,916	8,916
	<u>\$ 7,491,596</u>	<u>\$ 3,373,531</u>	<u>\$ 10,865,127</u>

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

	<i>Purpose and/or time restrictions</i>	<i>Perpetual restrictions</i>	<i>Total</i>
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
	<u>7,990,509</u>	<u>3,049,150</u>	<u>11,039,659</u>
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
	<u>533,778</u>	<u>-</u>	<u>533,778</u>
Split-interest agreements (Note 17)	90,383	48,202	138,585
Other net assets	-	10,337	10,337
	<u>\$ 8,614,670</u>	<u>\$ 3,107,689</u>	<u>\$ 11,722,359</u>

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

	<b>2022</b>	<b>2021</b>
For operations:		
Scholarships and fellowships awarded	\$ 149,744	\$ 120,296
Expenditures for operating purposes	189,719	181,079
	<u>339,463</u>	<u>301,375</u>
For long-term investment	98,886	47,496
	<u>\$ 438,349</u>	<u>\$ 348,871</u>

(All amounts in thousands)

## 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, are classified as university-designated endowment funds *with donor restrictions*.

Endowment funds at June 30, 2022, are summarized as follows:

	<i>Without donor restrictions (Note 15)</i>	<i>With donor restrictions (Note 15)</i>	<i>Total</i>
Funds established to support:			
Scholarships and fellowships	\$ 2,539,597	\$ 3,708,328	\$ 6,247,925
Academic, religious, and student programs	597,070	2,780,445	3,377,515
Faculty chairs	256,094	2,337,153	2,593,247
Campus infrastructure	1,268,131	2,653	1,270,784
Athletics	247,473	269,471	516,944
Libraries	16,349	330,012	346,361
General operations	1,255,686	223,259	1,478,945
Other	650,551	247,027	897,578
	<u>6,830,951</u>	<u>9,898,348</u>	<u>16,729,299</u>
Contributions receivable (Note 5)	-	371,811	371,811
	<u>\$ 6,830,951</u>	<u>\$ 10,270,159</u>	<u>\$ 17,101,110</u>
Donor-restricted endowment, principal	\$ -	\$ 2,959,188	\$ 2,959,188
Donor-restricted endowment, appreciation	-	6,092,366	6,092,366
University-designated endowment	6,830,951	846,794	7,677,745
	<u>6,830,951</u>	<u>9,898,348</u>	<u>16,729,299</u>
Contributions receivable (Note 5)	-	371,811	371,811
	<u>\$ 6,830,951</u>	<u>\$ 10,270,159</u>	<u>\$ 17,101,110</u>

(All amounts in thousands)

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

	<i>Without donor restrictions (Note 15)</i>	<i>With donor restrictions (Note 15)</i>	<i>Total</i>
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
	<u>7,345,695</u>	<u>10,728,848</u>	<u>18,074,543</u>
Contributions receivable (Note 5)	-	310,811	310,811
	<u>\$ 7,345,695</u>	<u>\$ 11,039,659</u>	<u>\$ 18,385,354</u>
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
	<u>7,345,695</u>	<u>10,728,848</u>	<u>18,074,543</u>
Contributions receivable (Note 5)	-	310,811	310,811
	<u>\$ 7,345,695</u>	<u>\$ 11,039,659</u>	<u>\$ 18,385,354</u>

The fair value of assets associated with individual donor-restricted endowments may fall below the level to be maintained in perpetuity when the timing of contributions coincides with unfavorable market fluctuations. At June 30, 2022, the aggregate fair value of underwater funds was \$128,152, which reflects collective deficiencies of \$8,296 below the \$136,448 aggregate level required. There were no funds in underwater positions at June 30, 2021.

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.



## Notes to Consolidated Financial Statements

(All amounts in thousands)

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

	Without donor restrictions	With donor restrictions	<b>2022</b> <i>Total</i>
Beginning of the year	\$ 7,345,695	\$ 11,039,659	\$ 18,385,354
Contributions	21,838	304,994	326,832
Investment return:			
Investment income	57,569	83,024	140,593
Net loss on investments	(572,010)	(837,118)	(1,409,128)
Endowment payout supporting:			
Operating purposes	(161,022)	(304,781)	(465,803)
Campus infrastructure	(32,676)	(27)	(32,703)
Other changes, net <sup>1</sup>	171,557	(15,592)	155,965
	<u>\$ 6,830,951</u>	<u>\$ 10,270,159</u>	<u>\$ 17,101,110</u>
	Without donor restrictions	With donor restrictions	<b>2021</b> <i>Total</i>
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 <sup>1</sup>	20,051	(3,458)	16,593
	<u>\$ 7,345,695</u>	<u>\$ 11,039,659</u>	<u>\$ 18,385,354</u>

<sup>1</sup>Reflects the net effects of changes in donor intent and management-directed allocations that result in additions to or withdrawals from endowment. During the year ended June 30, 2022, \$150,000 in net assets without donor restrictions was formally designated as funds functioning as endowment for the support of future campus infrastructure projects.

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. During periods in which funds are in underwater positions, payout to supported programs is subsidized by University reserves to preserve donor-restricted endowment principal.

(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	<b>2022</b> <i>Total</i>
Operating purposes:			
Scholarships and fellowships	\$ 82,707	\$ 118,251	\$ 200,958
Academic, religious, and student programs	13,161	86,171	99,332
Faculty chairs	7,656	73,333	80,989
Athletics	8,087	8,455	16,542
Libraries	458	10,711	11,169
General operations	45,941	7,436	53,377
Other	3,012	424	3,436
	<u>161,022</u>	<u>304,781</u>	<u>465,803</u>
Campus infrastructure	32,676	27	32,703
	<u>\$ 193,698</u>	<u>\$ 304,808</u>	<u>\$ 498,506</u>
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<b>2021</b> <i>Total</i>
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
	<u>149,591</u>	<u>279,290</u>	<u>428,881</u>
Campus infrastructure	30,201	26	30,227
	<u>\$ 179,792</u>	<u>\$ 279,316</u>	<u>\$ 459,108</u>

## NOTE 17. Split-Interest Agreements

The University's split-interest agreements consist of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee, the net assets of which are summarized as follows at June 30:

	Without donor restrictions	With donor restrictions (Note 15)	<b>2022</b> <i>Total</i>	<b>2021</b> <i>Total</i>
Charitable trust assets, held in:				
NDEP (Note 7)	\$ -	\$ 404,385	\$ 404,385	\$ 439,656
Other investments (Note 7)	-	2,566	2,566	8,071
	<u>-</u>	<u>406,951</u>	<u>406,951</u>	<u>447,727</u>
Less obligations <sup>1</sup> associated with:				
Charitable trusts	-	296,850	296,850	300,833
Charitable gift annuities	2,410	8,146	10,556	11,124
	<u>2,410</u>	<u>304,996</u>	<u>307,406</u>	<u>311,957</u>
	<u>\$ (2,410)</u>	<u>\$ 101,955</u>	<u>\$ 99,545</u>	<u>\$ 135,770</u>

<sup>1</sup>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 \$47,318 and \$52,956 at June 30, 2022 and 2021, respectively.

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

	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
Beginning of the year	\$ (2,815)	\$ 138,585	\$ 135,770	\$ 82,044
Contributions:				
Assets received	-	24,911	24,911	29,510
Discounts recognized <sup>1</sup>	-	(17,227)	(17,227)	(19,925)
	-	7,684	7,684	9,585
Change in value of agreements:				
Investment return, net	-	(36,673)	(36,673)	155,085
Payments to beneficiaries	(400)	(24,449)	(24,849)	(19,714)
Actuarial adjustments and other changes in obligations	405	21,373	21,778	(85,828)
	5	(39,749)	(39,744)	49,543
Transfers and other changes, net	400	(4,565)	(4,165)	(5,402)
	<u>\$ (2,410)</u>	<u>\$ 101,955</u>	<u>\$ 99,545</u>	<u>\$ 135,770</u>

<sup>1</sup>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:

	2022		
	Tuition and fees	Scholarships and fellowships	Net tuition and fees
Undergraduate programs	\$ 531,416	\$ (221,951)	\$ 309,465
Graduate and professional programs	220,102	(160,261)	59,841
	<u>\$ 751,518</u>	<u>\$ (382,212)</u>	<u>\$ 369,306</u>
	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
	<u>\$ 718,507</u>	<u>\$ (357,334)</u>	<u>\$ 361,173</u>

(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:

	<i>Direct</i>	<i>Indirect</i>	<b>2022 Total</b>	<b>2021 Total</b>
Provided for:				
Research	\$ 131,236	\$ 32,721	\$ 163,957	\$ 142,601
Other sponsored programs	20,445	1,137	21,582	18,197
	<u>\$ 151,681</u>	<u>\$ 33,858</u>	<u>\$ 185,539</u>	<u>\$ 160,798</u>
	<i>Direct</i>	<i>Indirect</i>	<b>2022 Total</b>	<b>2021 Total</b>
Provided by:				
Federal agencies	\$ 102,415	\$ 30,441	\$ 132,856	\$ 116,911
State and local agencies	622	28	650	665
Private organizations	48,644	3,389	52,033	43,222
	<u>\$ 151,681</u>	<u>\$ 33,858</u>	<u>\$ 185,539</u>	<u>\$ 160,798</u>

As reflected in Note 10, the University had received \$108,990 in refundable advances on awards as of June 30, 2022. In addition, the University had unexpended grant awards of approximately \$217,000 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 \$23,772 for the year ended June 30, 2022, including \$13,299 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2021, were \$18,206, including \$8,351 in ROTC scholarships.

## NOTE 20. Sales and Services of Auxiliary Enterprises

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

	<b>2022</b>	<b>2021</b>
Intercollegiate athletics:		
Contract-based revenues	\$ 145,099	\$ 109,414
Other revenues	28,222	5,140
Housing, dining, and other student revenue, net	104,755	91,143
Hospitality services	30,311	14,285
Event management services	15,320	255
Bookstore and licensing	14,676	9,549
Other auxiliary revenues	3,375	3,293
	<u>\$ 341,758</u>	<u>\$ 233,079</u>

(All amounts in thousands)

**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, 2022, the University also has contractual commitments of approximately \$60,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately \$210,000.



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*As of June 30, 2022*

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