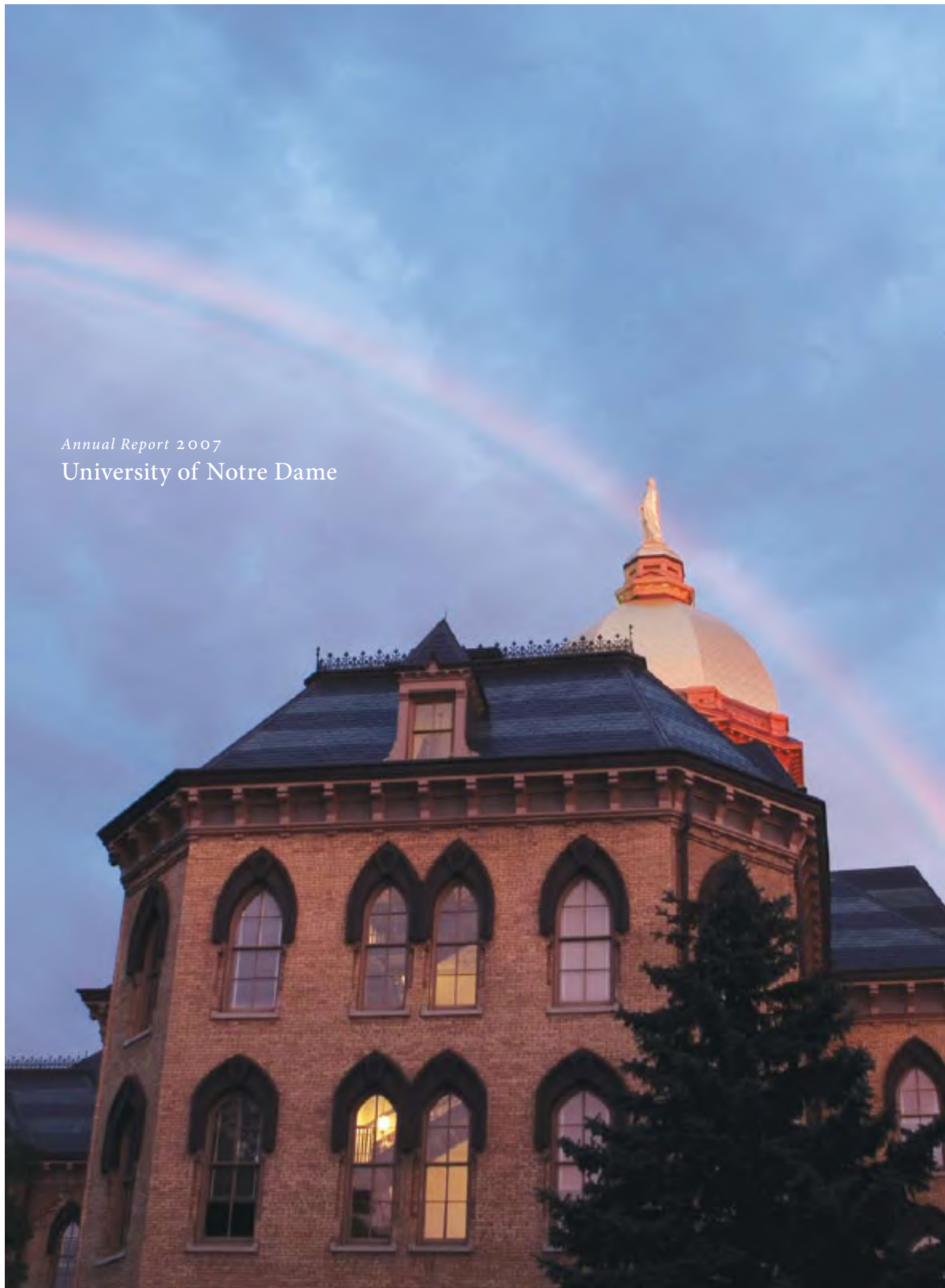


*Annual Report 2007*  
University of Notre Dame







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*“In whatever ways one defines or describes the spirit of Notre Dame, one thing is certain. Our ability to advance—leveraging historic strengths with innovative thinking—allows Notre Dame to have a more resounding impact on the world. This is an undisputable part of what makes this institution so distinctive and so promising.”*

Rev. John I. Jenkins, C.S.C.  
President

## The Spirit of Notre Dame: Propelling our Mission Forward

FOR YEARS, THERE HAS BEEN DISCUSSION AMONG MEMBERS OF THE NOTRE DAME family about the Notre Dame spirit: what it means and how it is manifest. For many, it is most discernible in the hazy light of the Grotto, where souls are searched and prayers offered; for some, it is apparent in the residence halls, where generations of students have found a powerful sense of community among those of many different backgrounds; and yet for others, this spirit is evident in more subtle forms through daily conversations with friends and colleagues.

That spirit suffuses the academic work of the University, giving Notre Dame what novelist and honorary degree recipient Harper Lee described as “a sense of purpose in life” distinct from other institutions. It is that spirit that drives us to make the connection between what we are capable of knowing and what we are called to do with that knowledge.

For me, Notre Dame is called to excel, in every way, as a model institution of higher learning. We must be *more*—more able, more influential, more responsive—because we have been blessed with so much through God’s grace.

This past spring, hundreds within the Notre Dame family answered that call as they descended on campus to inaugurate the *Spirit of Notre Dame*, a campaign named to evoke not just the much-extolled magic of the place, but also our spirited pursuit of a future rife with possibility.

The seventh and, by far, the largest fundraising initiative in University history, *Spirit* will do more than any of its predecessors to bring our teaching, research, and creative expression to parity with the very best in the world. Such aspirations reflect our desire to increase our capacity to serve our neighbor—that is, to address the challenges of war, poverty, environmental degradation, and threats to the sanctity of human life. As a result, our efforts can be magnified many times over by the wisdom, innovation, and agency that come from a heightened scholarly enterprise.

In practical ways, this will mean more scholarship dollars for the talented, passionate young people attracted by our mission; a dramatic ramping up of our research agenda; the continued elevation of campus facilities commensurate with the persistent demands on our academic programs and in consonance with the University’s signature residential traditions; new ways of thinking about the role that students must play in their own education; and innovative approaches to the complementary quest for excellence in both undergraduate and graduate studies.

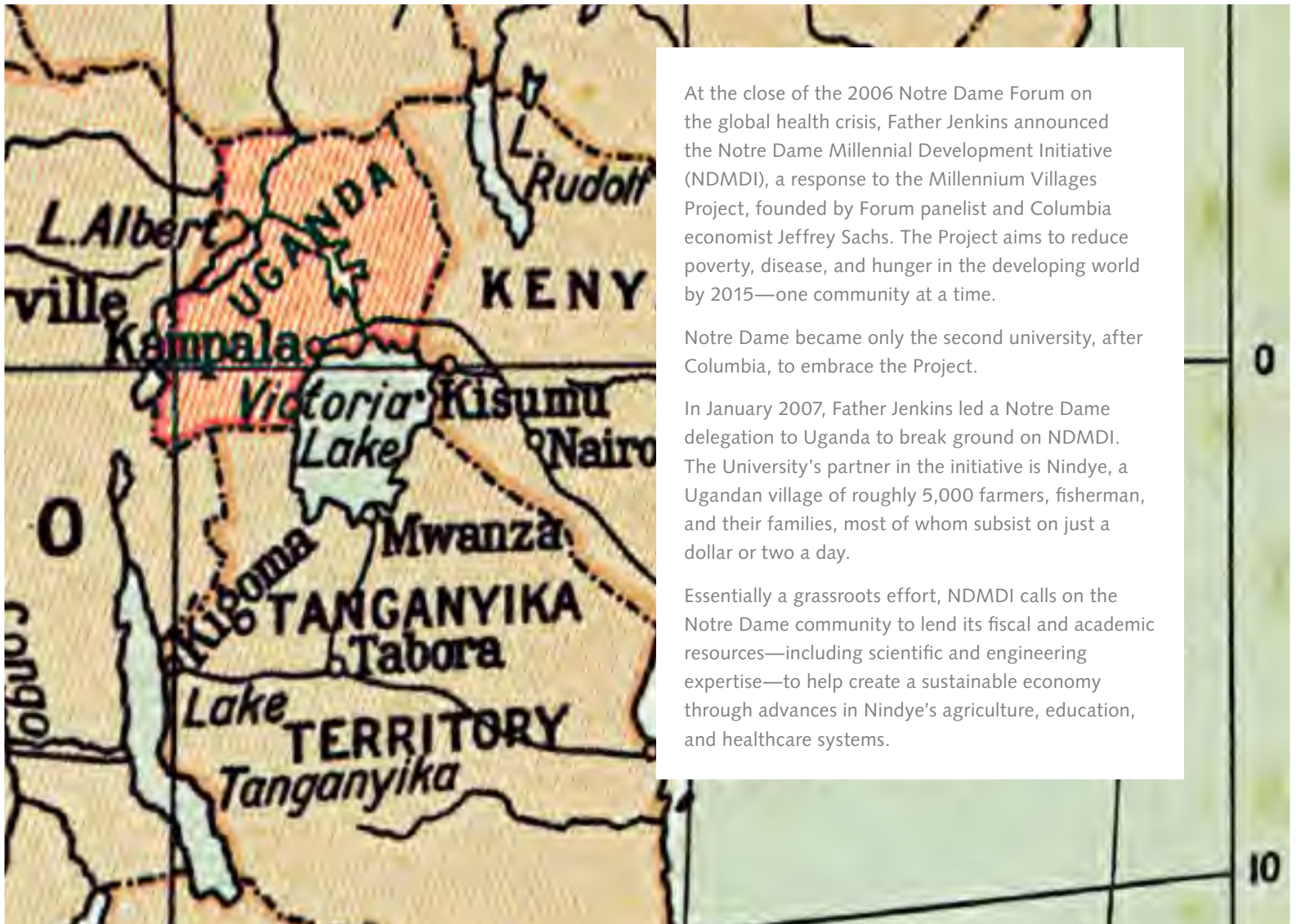
In whatever ways one defines or describes the spirit of Notre Dame, one thing is certain. Our ability to advance—leveraging historic strengths with innovative thinking—allows Notre Dame to have a more resounding impact on the world. This is an undisputable part of what makes this institution so distinctive and so promising.

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





## Global Health Notre Dame in Uganda



At the close of the 2006 Notre Dame Forum on the global health crisis, Father Jenkins announced the Notre Dame Millennial Development Initiative (NDMDI), a response to the Millennium Villages Project, founded by Forum panelist and Columbia economist Jeffrey Sachs. The Project aims to reduce poverty, disease, and hunger in the developing world by 2015—one community at a time.

Notre Dame became only the second university, after Columbia, to embrace the Project.

In January 2007, Father Jenkins led a Notre Dame delegation to Uganda to break ground on NDMDI. The University's partner in the initiative is Nindye, a Ugandan village of roughly 5,000 farmers, fisherman, and their families, most of whom subsist on just a dollar or two a day.

Essentially a grassroots effort, NDMDI calls on the Notre Dame community to lend its fiscal and academic resources—including scientific and engineering expertise—to help create a sustainable economy through advances in Nindye's agriculture, education, and healthcare systems.





*“Notre Dame can only be the Catholic university it strives to be if it devotes its time, talent, and treasure to solving real-world problems.”*

Rev. John I. Jenkins, C.S.C.  
President





2006-07 ACADEMIC YEAR

## Notre Dame at a Glance

### Students

Undergraduate	8,352
Graduate and professional	3,251
Total fall enrollment	11,603

### Undergraduate Admissions

Applications	12,798
Offers of admission	3,492
Enrolled	2,039
Selectivity ratio	27.3%
Matriculation ratio	58.4%

### Degrees Conferred

Baccalaureate	2,073
Master's	828
First professional	195
Doctoral	159
Total degrees conferred	3,255

Undergraduate Tuition Rate	\$32,900
Percent increase over prior year	5.8%



*“In many ways, the story of Notre Dame is one of growing into its name, of becoming a university—a place where new knowledge is created as well as imparted, where current scholars teach and future scholars are taught, where the full range of human inquiry occurs at the highest levels.”*

Thomas G. Burish  
Provost



## The Legacy Continues

IN THE BEGINNING, NOTRE DAME WAS LITTLE MORE than a snow-covered landscape. Yet, a hint of what it would become was present even then. Despite the few meek structures that speckled the grounds and the modest means he had to improve them, our founder Rev. Edward Frederick Sorin, C.S.C., established his nascent educational community not as a college or school but as the *University of Notre Dame du Lac*. In many ways, the story of Notre Dame is one of growing into its name, of becoming a university—a place where new knowledge is created as well as imparted, where current scholars teach and future scholars are taught, where the full range of human inquiry occurs at the highest levels. Due to the sacrifices, dedication, and generosity of preceding generations of faculty, students, alumni, and University leaders, today Notre Dame is a university in the truest sense of the word. The challenge for the future is to build upon this solid foundation and ensure that the legacy continues.

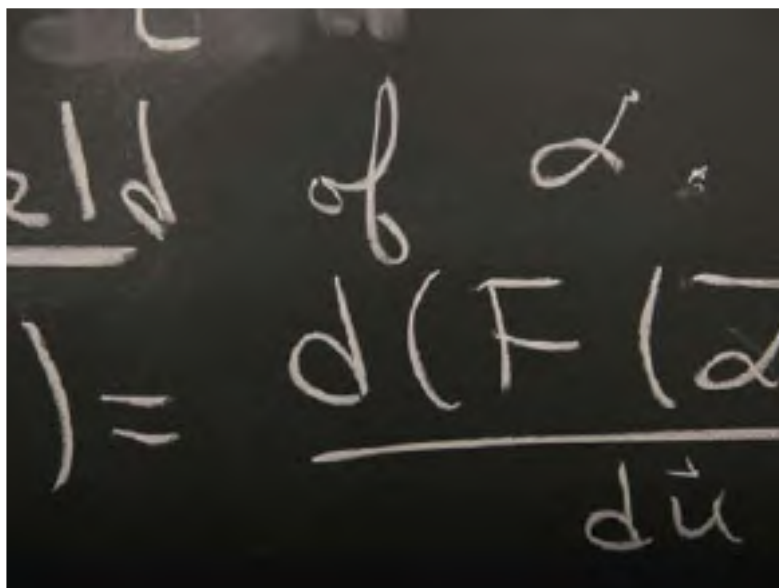
In addition to and as part of furthering its exceptional commitment to undergraduate education, Notre Dame is dedicated to elevating the impressive quality of its programs of inquiry and discovery, an essential component of any major research university. The past year at Notre Dame has been a significant one in this regard. At the outset of the year, we established the position of vice president for research. After a national search, one person emerged as exceptionally well suited for the role—Robert Bernhard, a mechanical engineer with an outstanding record in research and administration. We are pleased that he has joined us. Notre Dame also welcomed news of numerous major grant awards, including two from the Bill and Melinda Gates Foundation that will support global health initiatives. Still further, teaching and research space on campus is increasing dramatically. The beginning of the year saw the opening of Jordan Hall, a state-of-the-art science education building that will help our undergraduate and graduate students take advantage of the latest tools for learning, and will free up

old classroom space for research. This fall also saw the opening of the new Multidisciplinary Research Building, which currently houses several bioengineering efforts. The long-awaited renovation and expansion of the Law School building has begun, and construction plans are being finalized for a new engineering education and research building. And Notre Dame received a major gift from a generous benefactor that will be combined with monies from the state of Indiana to develop a new facility devoted to cancer research.

The *Spirit of Notre Dame* campaign promises even further enrichments. The advancement of Notre Dame's research enterprise envisioned by the campaign will simultaneously advance the University's core commitment to undergraduate education. By enhancing and supplementing present undergraduate research opportunities, Notre Dame will empower more undergraduates to learn through inquiry and to offer their own contributions to the expansion of knowledge. The growth in the University's research capacity will continue as more space is added for disciplines such as the social sciences and the arts. Greater support for graduate student fellowships will enable Notre Dame to compete for the best graduate students in the nation. The faculty, itself, will be strengthened by the addition of numerous endowed chairs. The impact of the campaign on research will be broader still, adding resources in areas ranging from centers and institutes to libraries.

The University's past provides inspiration as we embark on this future. Notre Dame emerged as the university it was named to be by embracing continual change while remaining true to its abiding spirit. Through the *Spirit of Notre Dame* campaign, we carry this proud tradition forward. The legacy continues.

THOMAS G. BURISH  
*Provost*





*“When I came here to visit, I saw that the faculty were excited and well prepared, that resources were available, and that the alumni and donors were committed.”*

**Robert Bernhard**  
Vice President for Research

## *Bold Vision Attracts a Research Visionary*



Robert Bernhard, Notre Dame’s new vice president for research, spent most of his professional career at Purdue University—25 years to be exact: 11 as a teaching and research faculty member in mechanical engineering; 11 primarily as the director of a research center, overseeing the lab and directing numerous research programs; and the last three years as an associate vice president of research responsible for managing Purdue’s research centers and cores. And, by his own admission, he loved every minute of it.

So, what could have lured him away from what he considered a “perfect” job? “First of all,” says Bernhard, “I was excited by the challenge of Father Jenkins’ bold vision to transform Notre Dame into a preeminent research university, while continuing its emphasis on excellent undergraduate education and maintaining its distinctive Catholic character. I asked myself: ‘How many times do you get to be part of such a significant opportunity at a great university like Notre Dame?’”

Additionally, Bernhard said that he was impressed with the level of commitment already in place to take Notre Dame’s research enterprise to the next level. He had witnessed such a transformation at Purdue over the past seven years, and was convinced that Notre Dame’s proposed investment, per capita, would have an even more significant impact on its ability to “be a force for good” through research.

“When I came here to visit, I saw that the faculty were excited and well prepared, that resources were available, and that the alumni and donors were committed,” he says. According to Bernhard, all of those things, plus Notre Dame’s unwavering dedication to contributing to the common good, convinced him to become part of its vision for the future.



**\$6.066**  
**BILLION**

endowment

**\$650**  
**MILLION +**

in total operating  
revenues

**\$215.4**  
**MILLION**

in contributions

**\$44.3**  
**MILLION**

in capital  
improvements



## Stewardship for the Future

A GREAT CATHOLIC UNIVERSITY HAS THE POTENTIAL to make a lasting difference in the world. From its humble beginnings as a struggling enterprise in the northern Indiana wilderness to its current state as a world-class educational institution, the University of Notre Dame has continually aspired to make a difference. Today, the University operates from a position of unprecedented financial strength, which allows it to fulfill not only its mission as an institution of higher learning within the Catholic intellectual tradition, but also as a force for good on a global scale. Indeed, even while it maintains its traditional focus on excellence in undergraduate education, Notre Dame is poised to take a significant leap forward in the areas of graduate education and research.

Key to Notre Dame's current success—and its ability to achieve future goals—is a history of strong financial stewardship. With a sound investment strategy and prudent fiscal operating policies, Our Lady's University is in the enviable position of possessing an endowment with a market value of nearly \$6.1 billion at the end of fiscal 2007. Total operating revenues for the year exceeded \$650 million, up 12 percent from last year. And, once again, our benefactors have proven their commitment to the University's unique mission by giving a record total of \$215.4 million in cash contributions. As a result of these and other strong performance indicators, total net assets of the University increased nearly \$1.4 billion, the largest year-over-year growth in our history.

Throughout fiscal 2007, we continued to invest in our campus infrastructure, with a total of \$44.3 million spent on capital improvements. Chief among these projects were the completion of the Juniper Road project (where Juniper Road was closed through campus and that space converted to pedestrian walkways and green space); the beginning of Duncan Hall—a new residence hall that will offer more housing choices to our students; and the completion of the Jordan Hall of Science, a state-of-the-art facility for undergraduate science instruction. Additionally, we continued to replenish and enhance the natural beauty of the Notre Dame campus: More than 600 trees were planted on campus this past year, with over 100 on the South Quad alone. Other areas that enjoyed newly planted foliage were along the previous Juniper Road corridor and around the new Stadium esplanade.

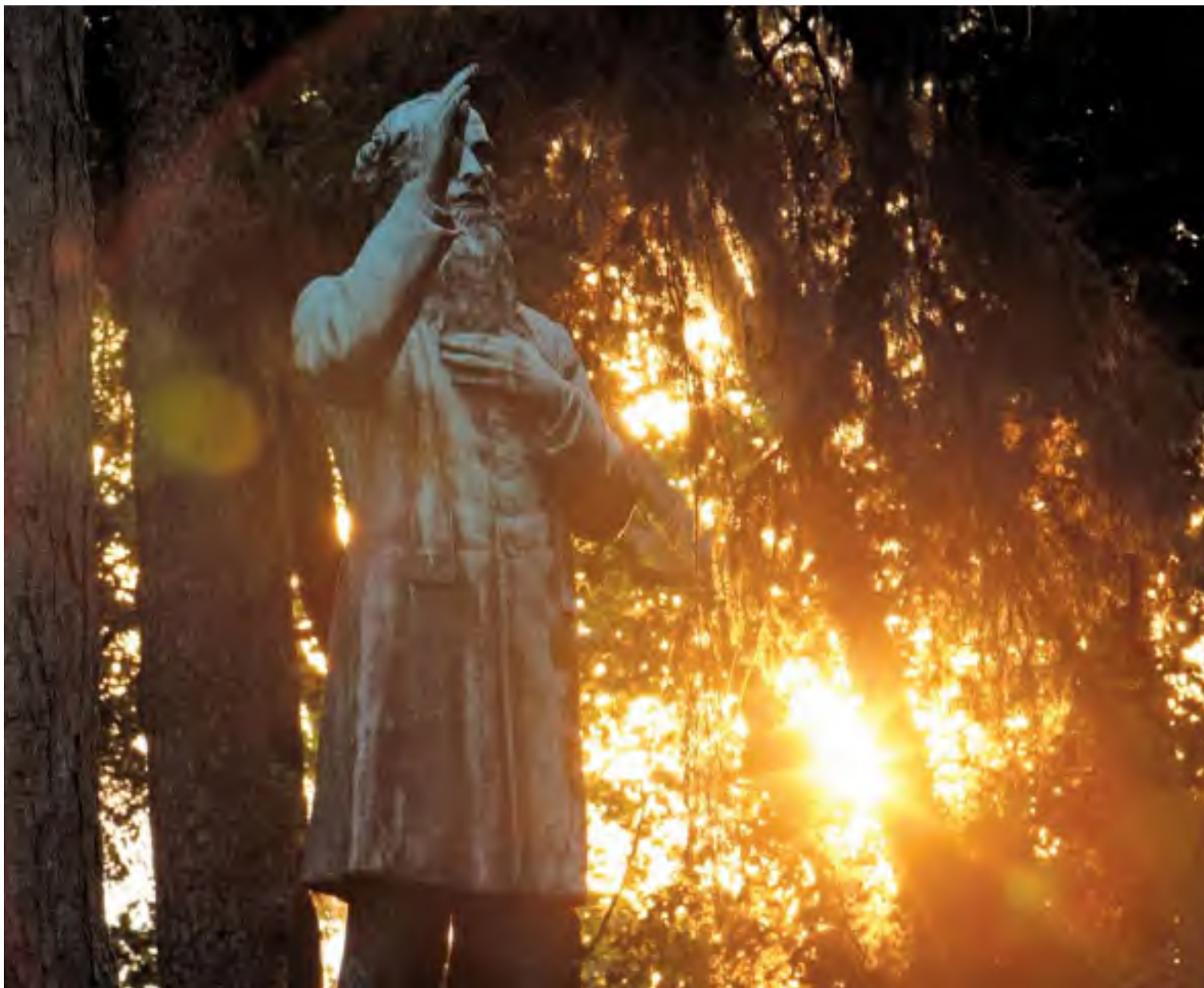
Our exceptional financial position and thoughtful investment in campus infrastructure allow Notre Dame to continue offering an unparalleled undergraduate experience

while fostering its research enterprise. As Provost Tom Burish alluded to in his provost's note, we will focus with renewed vigor on building our research infrastructure. These new buildings and facilities will enhance our ability to attract top scholars and researchers—men and women who not only pursue scholarly inquiry and research at the highest levels, but who also want to work and study in a place where faith and reason are intertwined. In such an environment, the focus of research and scholarship is inherently informed by a desire to improve the human condition.

Launched in spring 2007, the *Spirit of Notre Dame* capital campaign—the largest such campaign in Notre Dame's history—promises to provide the resources to help us achieve our lofty goals. With proper stewardship, the funds from this campaign will enhance our activities in three important ways: building our infrastructure to provide state-of-the-art research and educational facilities; creating chairs and professorships to continue to attract exceptional faculty members in a variety of fields; and providing more generous financial aid packages to the students who believe in the promise of a Notre Dame education. In line with the *Spirit* campaign, Notre Dame is one of only a handful of higher education institutions to have received a favorable ruling from the IRS allowing donors to place their charitable remainder trusts directly into the Notre Dame Endowment Pool. This ruling provides for additional flexibility in how our benefactors can support the *Spirit* campaign and enhances the long-term opportunities for both the University and the trust beneficiaries.

All of this energy and industry combines for a single purpose: to support and sustain the distinctive mission of the University of Notre Dame to be a force for good in today's world. From the halls of our undergraduate residences to the classrooms and laboratories of our academic buildings and the sacred spaces of our chapels and Basilica, this mission informs everything we do. It is our role as stewards of the University's resources to make sure that this mission has a place to flourish for all time, so that Notre Dame can indeed fulfill its promise as a great Catholic university.

JOHN F. AFFLECK-GRAVES  
*Executive Vice President*



2007

## Fiscal Results

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The University's financial position remained strong during fiscal 2007, enhanced by a 25.9 percent return on the Notre Dame Endowment Pool. Total investments grew \$1.4 billion to \$6.7 billion at June 30, 2007. Total assets grew to \$7.87 billion compared to \$6.37 billion reported at June 30, 2006. Total net assets of \$6.96 billion reflect an increase of \$1.39 billion from June 30, 2006, or 25 percent.

During fiscal 2007, unrestricted net assets increased \$813.6 million due primarily to net gains on investments of \$664.9 million. Operating revenues increased 11.9 percent, or \$69.4 million, while operating expenses increased 5.6 percent, or \$36.2 million, over fiscal 2006.

Temporarily restricted net assets increased by \$460.4 million due to net gains on investments of \$547.3 million and contributions of \$77.5 million, offset by net assets released from restrictions of (\$215.2) million. Permanently restricted net assets increased \$117.2 million as a result of contributions received for endowment. Capital spending in fiscal 2007 totaled \$55.3 million compared to \$92.4 million in fiscal 2006.

The University continued to maintain the highest available long-term debt rating, a key indicator of an institution's financial strength and stability.



## Statistical Highlights

ACADEMIC YEARS ENDING MAY      2007      2006      2005      2004      2003

### Students

Undergraduate	8,352	8,275	8,332	8,311	8,261
Graduate and professional	3,251	3,142	3,147	3,104	3,050
<b>Total fall enrollment</b>	<b>11,603</b>	<b>11,417</b>	<b>11,479</b>	<b>11,415</b>	<b>11,311</b>

### Undergraduate Admissions

Applications	12,798	11,316	11,490	12,095	9,744
Offers of admission	3,492	3,581	3,488	3,524	3,336
Enrolled	2,039	1,995	1,985	1,996	1,946
Selectivity ratio	27.3%	31.6%	30.4%	29.1%	34.2%
Matriculation ratio	58.4%	55.7%	56.9%	56.6%	58.3%

### Degrees Conferred

Baccalaureate	2,073	2,072	2,167	2,052	2,111
Master's	828	848	862	940	841
First professional	195	182	206	176	188
Doctoral	159	160	133	149	135
<b>Total degrees conferred</b>	<b>3,255</b>	<b>3,262</b>	<b>3,368</b>	<b>3,317</b>	<b>3,275</b>

Undergraduate Tuition Rate	\$32,900	\$31,100	\$29,070	\$27,170	\$25,510
Percent increase over prior year	5.8%	7.0%	7.0%	6.5%	4.9%

Note: Table references are to the 2007 Fact Book



66,539

total donors

\$41

MILLION

in unrestricted cash  
contributions

\$228

MILLION

in new pledges

\$926

MILLION

in total campaign  
gifts and pledges



## Campaign Inaugural Marks Banner Year for Fundraising

THIS SPRING'S INAUGURATION OF THE *SPIRIT OF NOTRE Dame* campaign heralded more than the public phase of the University's largest fundraising venture to date. It also signaled an unprecedented outpouring of support from benefactors near and far, breaking virtually every fundraising record on the books.

Indeed, fiscal year 2007 proved to be a historic year for Notre Dame fundraising. A total of 66,539 donors contributed \$215.4 million in cash—exceeding the all-time record set last year by nearly \$35 million. Thanks are due, in no small part, to the 54.3 percent of undergraduate alumni who made a gift this year, up from the record 53.2 percent also set last year for alumni giving.

Of the total cash contributions, an all-time high of \$41 million was unrestricted, including \$9.8 million in unrestricted bequests. Unrestricted giving was again driven by the Edward Frederick Sorin Society, which also enjoyed a record year. The society's 12,076 members continue to be a cornerstone of our development efforts, donating \$21.4 million this year.

Likewise, the President's Circle reported its best-ever results during its fourth year of operation, with membership providing nearly \$3.9 million—compared to last year's \$2.6 million—for the strategic allocations of University President Father Jenkins.

Echoing the robust support of our alumni, parents, and friends, the corporate and foundation communities again demonstrated their firm belief in the value of a Notre Dame education, making \$49.2 million in contributions. Of these, \$4.2 million were contributed through our corporate

matching gifts program. Notre Dame ranked first this year, in fact, among the nation's colleges and universities in terms of matching gift support, according to a report issued by the Council for Aid to Education.

Among the year's most significant development news was the ruling made by the Internal Revenue Service in December 2006, allowing charitable trusts to be invested alongside the Notre Dame Endowment in the investment pool. The ruling contributed to a significant growth in new charitable remainder trusts during fiscal year 2007, as compared to the previous year. Support garnered through these trusts and other gift planning vehicles—including bequests, lead trusts, charitable gift annuities, and life insurance—resulted in \$28.2 million in contributions, up from \$24.2 million last year.

Finally, new campaign pledges totaled \$228 million, including two pledges of \$15 million or more. When combined with outright and deferred gifts, more than \$334 million was generated for the *Spirit of Notre Dame* campaign—bringing campaign gifts and pledges to a cumulative total of \$926 million at the close of the fiscal year.

These outstanding acts of generosity serve as a profound affirmation of Father Jenkins' vision for the future of this distinctive institution, and we remain in the debt of all those who sacrifice on Notre Dame's behalf. Only with their continued assistance may we realize the great promise of Our Lady's University.

LOUIS M. NANNI

*Vice President for University Relations*





## *Keough-Hesburgh Professorship Attracts Noted Economist to Catholic Mission*

Renowned economist William Evans, formerly of the University of Maryland, accepted an appointment at Notre Dame as the first recipient of a Keough-Hesburgh Professorship, a program established in 2006 with a multi-million-dollar gift from Notre Dame board chairman emeritus Donald Keough, his wife, Marilyn, and their children.

Named in honor of the Keoughs and their dear friend, President Emeritus Rev. Theodore M. Hesburgh, C.S.C., the Keough-Hesburgh Professorship was created to attract to Notre Dame world-class scholars who are deeply committed to furthering the University's Catholic mission.

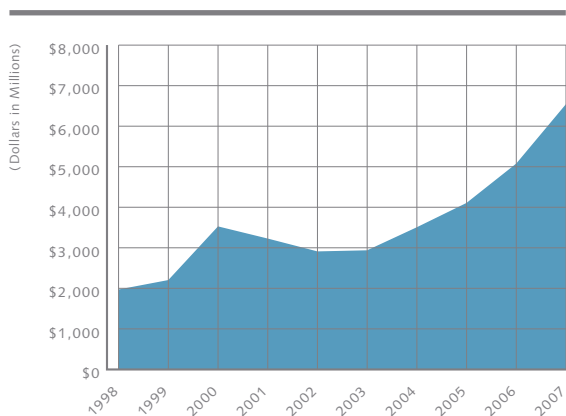
"That aspect—the Catholic mission—is one of the single most important reasons I am here," says Evans. "In the past few years, I've felt something was missing from my work, and I've found it here, in the mission of this place and in Father Jenkins' vision for the future of the University."

An applied microeconomist, Evans specializes in labor economics, public finance, industrial organization, and health economics. His work focuses on social issues and the policies used to address them, such as the ways in which governments finance schools or the effectiveness of public health interventions. He is among the most frequently cited scholars in his field.





**Endowment Pool Market Value (1998–2007)**  
Fiscal years ending June 30



**Annualized Returns**  
(As of June 30, 2007)

	1 YR	3 YR	5 YR	10 YR
Notre Dame Endowment Pool	25.9%	21.4%	17.1%	14.8%
Strategic Policy Portfolio	21.9%	17.7%	13.2%	10.2%
TUCS Large Fund Median	17.7%	12.8%	11.6%	8.4%

The Trust Universe Comparison Service Large Fund (greater than \$1 billion) Median return is a compilation of endowment, pension and foundation returns and thus represents investment performance for large institutional investors generally.



## Leading Results Continue

THE NOTRE DAME ENDOWMENT POOL HAD ANOTHER dramatic year of growth in fiscal 2007, as the University's premier investment partners in every asset class provided significant value added to the total portfolio. Many of the seeds for the considerable increase in value were sown more than 20 years ago when Notre Dame was a pioneer investor in the international markets, both public and private, and began taking advantage of the inherent inefficiencies of investing in private equity, real estate, and various types of marketable alternatives on a global basis. With a committed, first-rate internal investment staff, world-class investment partner firms around the world, and a long investment time horizon consistent with our mission, the University is positioned to continue its performance among the top institutional investors in the nation.

The fiscal 2007 investment return of the Endowment Pool, net of investment management fees, was 25.9 percent, and the year-end market value grew from \$5.1 billion at the prior year end to \$6.5 billion at June 30, 2007.

By comparison, the return on the Strategic Policy Portfolio was 21.9 percent for the year. The Policy Portfolio is an internal benchmark consisting of a weighted average of various indices representative of the target investment portfolio designed to achieve maximum long-term performance at an acceptable risk level. Thus, the difference between actual performance and the return of the Policy Portfolio represents the results of tactical decisions to overweight or underweight particular investments relative to the target portfolio, and the selection of active managers who outperform passive portfolios as represented by market indices.

On this relative basis, marketable alternatives and real assets made significant contributions to the year's performance, while on an absolute basis the international private equity portfolio performed extremely well. A major focus for the year was to expand and deepen relationships internationally, notably in emerging markets in Asia, which we believe will be a key driver for performance in the future.

As investment managers search for a broader range of market inefficiencies to improve returns, the traditional lines between asset classes have become less well defined, a concept referred to as "convergence." Thus, funds like the

Notre Dame endowment face greater challenges in analyzing individual manager strategies and their correlations, as diversification is no longer as straightforward as investing in different asset classes.

In response, the target portfolio allocations to U.S. equities, non-U.S. equities, and long/short hedge fund strategies were restructured into a single public equities category. The new category has a 40 percent target weight, and allows greater flexibility to deal with convergence. Event-driven and multi-strategy hedge funds remain in the marketable alternatives category with a 15 percent target. Additionally, the target allocations to real assets and private equity were increased, while the fixed-income target was lowered.

It will come as no surprise that at Notre Dame we believe students receive an experience like no other, one grounded in learning and research, service, residential life, and spirituality. Spending from the Endowment Pool, which funded just over 20 percent of the University's total expenditures for the past fiscal year, plays a crucial role in making all this possible.

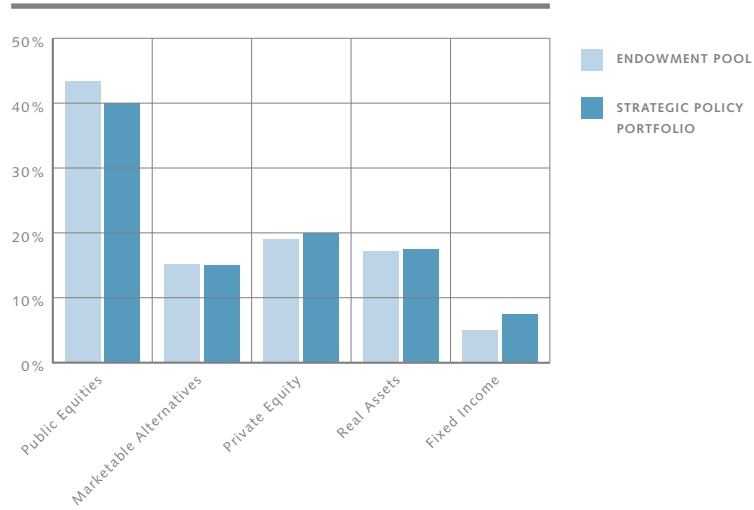
Compared to the prior year, spending in fiscal 2007 increased by 11 percent, or \$15.7 million, rising to \$159.0 million. As has been the case at Notre Dame historically, the largest portion of spending was devoted to financial aid, enhancing the socio-economic diversity of our student body.

While strong investment returns have allowed the Endowment pool to grow significantly over the past decade, and increases in spending have had a meaningful impact on the unique experience that is Notre Dame, much remains to be done.

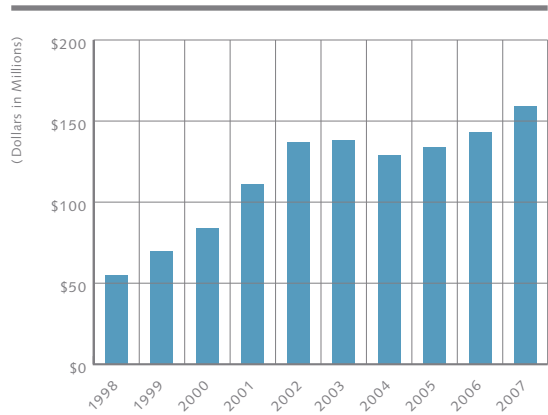
Hence, the vital nature of the *Spirit* campaign in the future life of Our Lady's University. With a continual commitment to excellence and forward-looking thinking in investment management, the dollars given by the University's generous donors will continue to grow, leveraging those gifts for the benefit of Notre Dame students for many, many years to come.

SCOTT C. MALPASS  
*Vice President and Chief Investment Officer*

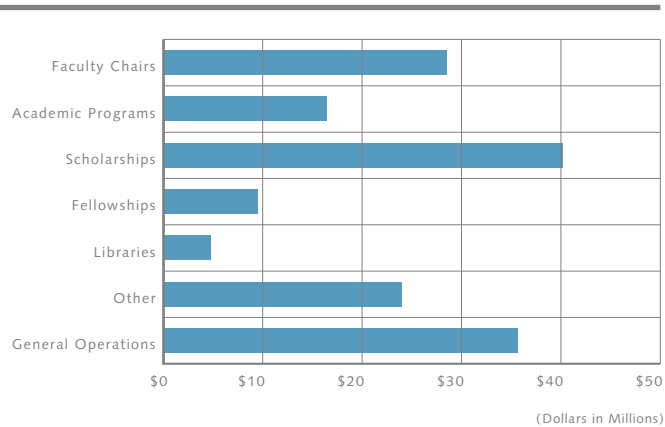
**Asset Allocation**  
(June 30, 2007)



**Endowment Pool Spending (1998–2007)**  
Fiscal years ending June 30



**Endowment Pool Spending Purposes**  
Fiscal year ending June 30, 2007







## Ruling Permits Trusts to be Invested in Notre Dame Endowment Pool

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For many years, Notre Dame and other endowment investors have explored options for investing charitable trust assets with their endowments—a move that promised to bode very well for such institutions by allowing these donor gifts to grow from sophisticated endowment investment strategies.

Charitable trusts allow donors to make a substantial gift to the University while ensuring lifetime income for themselves or a loved one. In December of 2006, the Internal Revenue Service issued a favorable ruling to Notre Dame, allowing the University to join a handful of schools—including Harvard, Stanford, and MIT—to be granted such permission.

The ruling permits qualified charitable remainder trusts to participate in the Notre Dame Endowment Pool as their investment vehicle, thereby providing significant growth potential. “Before the IRS ruling,” says Chief Investment Officer Scott Malpass, “charitable trusts were invested in mutual funds, earning about 10 percent a year. I was pleased with that, but to be able to invest in a pool that has access to so many alternatives and extremely skilled money managers presents a tremendous development opportunity.”



# University Highlights

## University News

■ The University's President, Rev. John I. Jenkins, C.S.C., hosted his second annual Notre Dame Forum in September. Economist Jeffrey Sachs, Dr. Paul Farmer, and Ugandan physician Dr. Miriam Laker Oponya were the featured speakers in a presentation titled "The Global Health Crisis: Forging Solutions, Effecting Change." In conjunction with the forum, University Trustee Raymond Chambers made a gift to the Millennium Project in Notre Dame's name. Father Jenkins led a group of Notre Dame officials to Uganda in January to analyze how best to proceed with the project.

■ Notre Dame was one of nine schools in the nation to receive a Katrina Compassion Award for Excellence in Hurricane Relief Service from the Corporation for National and Community Service. The award came even before hundreds of Notre Dame alumni, faculty, students, and friends participated in several service projects in conjunction with the visit to New Orleans to participate in the Sugar Bowl.

■ The Kroc Institute for International Peace Studies at Notre Dame celebrated its 20th anniversary in October 2006.

■ \$1.4 billion national real estate development company in Minnesota.

■ The Vatican Secretariat of State announced that the Venerable Basil Moreau, C.S.C., founder of the Holy Cross Priests, Brothers and Sisters, was to be beatified in September 2007 in Le Mans, France, the place of his ministry and death. Notre Dame was founded as a project of the Holy Cross order in 1842 and continues to rely on Moreau's followers for its administration, inspiration, and communion in the Catholic Church.

■ The Notre Dame Task Force on Catholic Education—a national group of Catholic educators, administrators, diocesan representatives, philanthropists, and investment specialists—released a report on the challenges and opportunities confronting primary and secondary Catholic schools in the United States. Titled "Making God Known, Loved, and Served: The Future of Catholic Primary and Secondary Schools in the United States," the report was the result of a yearlong study commissioned by Father Jenkins and chaired by Rev. Timothy Scully, C.S.C., director of Notre Dame's Institute for Educational Initiatives.

■ John Affleck-Graves, executive vice president, reconstituted a group of faculty, staff, and students called the Energy and Environmental Committee, whose members are to be directly involved in developing and promoting the University's environmental policies, including air quality and energy conservation.

■ The University created a new master's degree in educational administration. The new degree program is an expansion of the



■ Notre Dame was the site for the presentation of the \$1 million Opus Prize in November 2006. The award went to Brazilian pediatrician Dr. Zilda Arns Neumann, founder and director of the Pastoral of the Child, an innovative public health program that works with more than 265,000 volunteers to help poor families in her native Brazil. The prize is affiliated with the Opus Group, a

■ A new era in science education at Notre Dame began Sept. 14, 2006, with the dedication of the Jordan Hall of Science, a building that contains the most advanced scientific and educational teaching instrumentation of any university facility in the nation. The \$70 million, 201,782-square-foot structure is the largest building devoted solely to undergraduate education at the University.

■ Notre Dame was cited for posting a "huge percentage gain" in African American freshmen in a survey by *The Journal for Blacks in Higher Education*.

■ Notre Dame's study-abroad programs continued to be among the best in higher education. The University has the sixth-highest percentage of students participating in international study among American research universities, according to a report from the Institute of International Education.







Alliance for Catholic Education (ACE) Leadership Program, which, since it began in 2002, has trained 82 teachers in professional administration, fostering community within schools, and spiritual formation.

■ The Mendoza College of

on enhancing undergraduate research.

■ Notre Dame received the Leadership Roundtable Best Practice Award from the National Leadership Roundtable on Church Management (NLRMC) for the "University's



Business MBA Program was ranked 26th in *BusinessWeek* magazine's biennial survey of the top U.S. business schools. The program was cited among the top 10 schools for fastest return on investment. In a separate survey, *BusinessWeek* ranked Mendoza's undergraduate program No. 7 in the nation. The college earned "A-plus" scores in the teaching quality, facilities and services, and job placement categories.

■ The Carnegie Academy for the Scholarship of Teaching and Learning selected Notre Dame, along with 86 other higher education institutions and networks worldwide, to participate in a program to improve undergraduate and graduate education. Notre Dame's area of focus will be

outstanding commitment to inspire and encourage students in a vocation of serving others, both during and after graduation."

■ The National Endowment for the Humanities selected Notre Dame to host two summer seminars in which college and university professors with related interests conducted scholarly research under the direction of an expert. As a result, the Keough-Naughton Institute for Irish Studies held a five-week seminar titled "Anglo-Irish Identities, 1600-1800," and Joseph Amar in Classics and Robin Darling Young in theology directed "The Middle East Between Rome and Persia: Early Christianity on the Path to Islam," a six-week seminar.

■ Father Jenkins led a delegation of University administrators and faculty to Jerusalem for a conference marking the 35<sup>th</sup> anniversary of the Ecumenical Institute for Theological Studies at Tantur. The conference, "Perspectives on Hope—The Perspective of Hope," explored the role of religious faith in making peace.

■ At Notre Dame's 162<sup>nd</sup> Commencement exercises, Jeffrey Immelt, chairman and chief executive officer of General Electric Co., urged graduates to be "our greatest generation." Patrick McCartan, chair of the Board of Trustees, received the Laetare Medal at Commencement.



### Faculty

■ Historian Mark Noll, newly appointed to the faculty this year, received the National Humanities Medal from President Bush in an Oval Office ceremony in November.

■ Five faculty members—Michael Brownstein, Margaret Doody, Mary Ann Burgess

Smyth, James Turner and Catherine Zuckert—received research fellowships from the National Endowment for the Humanities (NEH), bringing to 29 the number of NEH fellowships awarded to Notre Dame in the past eight years, more than any other university in the nation.

■ Robert Schmuhl, the Walter H. Annenberg-Edmund P. Joyce Professor of American Studies and Journalism, published *In So Many Words: Arguments and Adventures*, a collection of previously published essays that was cited by the *Chicago Tribune* for its astute cultural criticism.

■ Two Notre Dame scholars, Thomas F.X. Noble, director of the University's Medieval Institute, and Paul Cobb, associate professor of history, were featured in a documentary film on the Holy Lance on the History Channel.

■ Rev. Thomas G. Streit, C.S.C., director of the Notre Dame Haiti Program, was named to the inaugural class of ambassadors in the Paul G. Rogers Society for Global Health Research. The class consists of 27 of the nation's foremost experts in global health and represents a spectrum of the nation's "science advocates."

■ Law School professor Jimmy Gurulé made presentations to academics, international financiers, and law enforcement officials in India on U.S. efforts to prevent the funding of international terrorism.

■ Three Notre Dame historians were awarded postdoctoral research fellowships from the American Council of Learned Societies. Olivia Constable, Margaret Meserve, and Linda

Przybyszewski were among the 60 winners selected from a pool of 878 applicants.

■ Jesus A. Izaguirre, associate professor of computer science and engineering, was invited to serve as a member of the Biodata Management and Analysis Study Section (BDMA) of the Center for Scientific Review (CSR), the portal for all research and training grant applications submitted to the National Institutes of Health.

■ Michael C. Wiescher, the Frank M. Freimann Professor of Physics, was named a fellow by the Alexander von Humboldt Foundation.

■ Yih-Fang Huang, professor of engineering and concurrent professor of computer science and engineering, was awarded a Fulbright-Nokia Scholarship to support his appointment as a visiting professor at the Helsinki University of Technology (HUT) for the fall 2007 semester. Huang conducts a program of research related to wireless communication.

■ Historians Mark Noll and Thomas Slaughter were among 15 scholars and authors elected fellows of the Society of American Historians.

■ Clive R. Neal, associate professor of civil engineering and geological sciences, was named chair of NASA's Lunar Exploration Analysis Group, which is responsible for analyzing scientific, technical, commercial, and operational issues associated with lunar exploration.

■ Kathryn Kerby-Fulton, the Notre Dame Professor of English, was awarded a fellowship from the John Simon Guggenheim Memorial Foundation. Guggenheim Fellowships are awarded to experienced scholars, scientists, and artists on the basis of distinguished achievement in the past and exceptional promise for future accomplishment.

■ Frances Hagopian, the Michael P. Grace II Associate Professor of Political Science, was awarded a fellowship from the Woodrow Wilson International Center for Scholars to spend a year in residence conducting research on a project titled "Reorganizing Political Representation in Latin America: Parties, Program and Patronage in Argentina, Brazil, Chile and Mexico."

■ Joannes J. Westerink, professor of civil engineering

and geological sciences and codeveloper of the Advanced Circulation Model (ADCIRC), was appointed to the Southeast Louisiana Flood Protection Authority—West Bank by Louisiana Gov. Kathleen Blanco. The seven-member board and its counterpart, the 11-member East Bank board, will serve as the local sponsors for the construction, operation, and maintenance of hurricane, storm damage reduction, and flood control projects in greater New Orleans and Southeastern Louisiana.

■ Jorge A. Bustamante, the Eugene P. and Helen Conley Professor of Sociology, received the American Sociological Association's Cox-Johnson-Frazier Award for a lifetime of research, teaching, and service to the community.

■ Malcolm J. Fraser Jr., professor of biological sciences, was selected as a fellow of the American Association for the Advancement of Science. Election as a fellow is an honor bestowed upon AAAS members by their peers.

## Students

■ Senior Megan Towle, a 2007 Marshall Scholarship winner from Leawood, Kan., also was chosen for the scholarship's highest honor and was awarded the British Schools and Universities Foundation (BSUF) Marshall Scholarship. Towle also was named to the 2007 All-USA College Academic third team by the national newspaper *USA Today*.

■ Steven Cartwright, a Notre Dame senior from Pittsburgh, received the 2006 Howard R. Swearer Student Humanitarian Award from Campus Compact. The first Notre Dame student to receive this award and one of only five selected nationwide, Cartwright was honored based upon his commitment to public service and for developing an innovative program to address issues facing the community. He received a \$1,500 contribution to be used in a service program of his choice.

■ Ken Fowler, a senior from Long Beach, N.Y., was selected as the first recipient of the Harry Ornest Memorial Award in Sports Journalism. The award includes a summer internship at *The Los Angeles Times*.

■ Jonathan Bischof, Rebecca Ladewski, and Elizabeth Rollins

received National Science Foundation Graduate Research fellowships.

■ Nine seniors received Fulbright grants for study abroad: Monica Boomer, Nicholas Coleman, Kim-Lu Del Guercio, Juan Gastelum, Timothy Loh, Mary Anne Lukeman, Adam Snider, Zachary Stewart, and Stephen Zakas.

■ Junior Stacey Williams was selected to attend the Public Policy and International Affairs Program Junior Summer Institute at Carnegie Mellon University in Pittsburgh. The seven-week program prepares 30 students for graduate programs in public and international affairs and careers as policy professionals and public service leaders.

■ Junior Benjamin J. Fehrman from Omaha, Neb., was awarded a scholarship for the 2007–08 academic year from the Barry M. Goldwater Scholarship and Excellence in Education Foundation. The Goldwater Scholarship is considered the premier undergraduate award of its type in the fields of mathematics, the natural sciences, and engineering.

■ Naomi Hansen, a senior from Barrington, Ill., was named a Humanity in Action summer fellow. One of 57 undergraduate students chosen from the United States, she will complete a summer training session in New York before pursuing an internship in Berlin this fall.

■ A 35-year gender barrier was broken at Notre Dame with the election of the University's first ever all-female ticket for student body president and vice president—junior Elizabeth Brown from Ft. Wayne, Ind., and sophomore Maris Braun of Cincinnati.

## Honors

■ *Dying to Live: A Migrant's Journey*, a 33-minute film written and directed by theologian Rev. Daniel Groody, C.S.C., received the best documentary award at the New Way Media Film Festival in Berkeley, Calif. The recognition was the latest of many honors accorded the film. The film was a Harry Chapin Media Award finalist for film and television coverage that positively impacts hunger, poverty, and self-reliance.

■ Christian Moevs, associate professor of Romance

languages and literatures, was awarded the Howard R. Marraro Prize by the Modern Language Association (MLA) for his book, *The Metaphysics of Dante's 'Comedy,'* in which he sheds new light on the interpretation of Dante's *Divine Comedy*.

■ The United States Catholic Mission Association (USCMA) honored the Center for Social Concerns "for 23 years of cross-cultural global mission in service to the Church and the world."

■ Patrick J. Flynn, professor of computer science and engineering and concurrent professor of electrical engineering, has been named a fellow of the International Association for Pattern Recognition (IAPR). He is the first Notre Dame faculty member to be named an IAPR fellow.

■ John Paul Lederach, professor of international peacebuilding in the Joan B. Kroc Institute for International Peace Studies, received the Order of the Culture of Peace award for his work in Nicaragua and around the world.

■ Albert-László Barabási, the Hofman Professor of Physics, received the John von Neumann Medal, which is presented by the Hungarian-based John von Neumann Computer Society for outstanding achievements in computer-related science and technology.

■ Political scientist Tin-Bor Victoria Hui received the Edgar S. Furniss Book Award from Ohio State University's Mershon Center for International Security Studies for her first book, titled *War and State Formation in Ancient China and Early Modern Europe*.

■ The School of Architecture was ranked highly in two polls conducted by the journals *DesignIntelligence* and *New Urban News*. The only undergraduate architecture program recognized in both surveys, the school ranked 12<sup>th</sup> among more than 75 accredited bachelor's degree programs in the *DesignIntelligence* poll, which ranks programs based on responses from a cross-section of architecture firms assessing how well recent college graduates were prepared for real-world practice as new hires. Notre Dame ranked second in the *New Urban News* poll, which is based on input from new





urbanists around the country. ■ David W. Nickerson, assistant professor of political science, received the American Political Science Association's award for best dissertation in political psychology.

■ Harvey Bender, professor of biological sciences and director of the Human Genetics Program, was named a "Distinguished Hoosier" by Indiana Gov. Mitch Daniels.

■ *Soul Searching: The Religious and Spiritual Lives of American Teenagers*, a book coauthored by sociologist Christian Smith, received a 2006 book award from *Christianity Today* magazine.

■ Rev. Virgilio P. Elizondo, the Notre Dame Professor of Pastoral and Hispanic Theology, received the John Courtney Murray Award from the Catholic Theological Society of America (CTSA). The award, which is the CTSA's highest honor, memorializes the most prominent American Catholic theologian at the Second Vatican Council, and a principal author of the "Declaration on Religious Freedom (*Dignitate Humanae*)," one of the council's most important teaching documents.

■ Joan F. Brennecke, the Keating-Crawford Professor of Chemical and Biomolecular Engineering and director of the Energy Center, received the John M. Prausnitz Award for outstanding achievement in applied chemical thermodynamics from the Conference on Properties and Phase Equilibria for Product and Process Design.

■ Sylvia Puente, director of the Center for Metropolitan Chicago Initiatives in the Institute for Latino Studies, received a community service award from the Mexican American Legal Defense and Education Fund for her outstanding lead-

ership and service to the Latino community and her dedication to the civil and human rights of all people.

■ Roger F. Jacobs, associate dean of the University of Notre Dame Law School and director emeritus of the Kresge Law Library, received the Marian Gould Gallagher Distinguished Service Award from the American Association of Law Libraries.

■ Sabine G. MacCormack, the Theodore M. Hesburgh, C.S.C., Professor of Arts and Letters, was elected to the American Academy of Arts and Sciences (AAAS). The AAAS is the nation's leading learned society, recognizing individuals who have made outstanding contributions to science, scholarship, public affairs, and the arts.

■ Jacek Furdyna, the Aurora and Tom Marquez Professor of Physics, received an honorary doctor of science degree during commencement ceremonies at Purdue University.

■ Ralph McInerney, professor of philosophy and the Michael P. Grace Professor of Medieval Studies, gave the commencement address at Assumption College in Worcester, Mass. He also received an honorary degree.

■ Donald P. Kommers, the Joseph and Elizabeth Robbie Professor of Political Science and concurrent professor of law, delivered the commencement address and received an honorary doctor of laws degree at St. Norbert College in De Pere, Wis.

■ Rev. Thomas G. Streit, C.S.C., director of Notre Dame's Haiti Program, received the University of Portland's highest honor, the Christus Magister Medal, during the university's commencement

ceremonies. He was honored for his efforts to eliminate lymphatic filariasis (LF), a mosquito-borne infection that affects more than 120 million people throughout the tropics, and for his passionate advocacy on behalf of its victims.

■ Thomas G. Burish, provost and professor of psychology, received the Alumni Distinguished Achievement Award from the College of Liberal Arts and Sciences at the University of Kansas, where he earned his master's and doctoral degrees.

■ Daniel K. Lapsley and Darcia Narváez, members of the psychology department faculty, were selected as the Book Award recipients by the Moral Development and Education Special Interest Group of the American Educational Research Association. The honor recognized them for their 2004 book *Moral Development, Self, and Identity*.

### Research/Scholarship/Creativity

■ A team that includes biologist David Lodge completed a study that contends screening programs for invasive species cannot only be effective in stopping the spread of such species, but also can produce economic benefits.

■ Cambridge University Press published a new book by historian Rev. Wilson D. Miscamble, C.S.C., titled *From Roosevelt to Truman: Potsdam, Hiroshima, and the Cold War*.

■ A group of lawyers led by Center for Civil and Human Rights director Douglass Cassel published a 115-page report on its investigation of 25 incidents of violence in Ireland resulting in 76 murders from October 1972 to February 1977. In 74 of those murders, the lawyers found evidence of collusion by the Royal Ulster Constabulary (RUC), Northern Ireland's former police force, and the British army's Ulster Defense Regiment (UDR).

■ Sabine G. MacCormack, the Rev. Theodore M. Hesburgh, C.S.C., Professor of Arts and Letters, has published a new book that challenges long-held assumptions about the cultural impact of the Spanish conquest of Peru. Published by Princeton University Press, the book, titled *On the Wings of Time: Rome, the Incas, Spain and Peru*, is intended to provide a more

sophisticated understanding of Latin America, both in a historical and contemporary context.

■ *Performance and Femininity in Eighteenth-Century German Women's Writing: The Impossible Act*, by Wendy Arons, assistant professor of Film, Television, and Theatre, was published by Palgrave Macmillan as part of its Studies in Theatre and Performance History series.

■ *George Gallup in Hollywood*, by Susan Ohmer, the William T. and Helen Kuhn Carey Assistant Professor of Modern Communication, was published by Columbia University Press.

■ A study by marketing professors Joan Phillips and Joe Urbany showed that, among other findings, negative political ads are effective, changing the minds of young voters about a favored candidate some 14 percent of the time.

■ A team of researchers led by Gary H. Bernstein, professor of electrical engineering, has demonstrated a new technology for inter-computer chip communication called "Quilt Packaging" that may further the evolution of high-performance electronic systems.



■ *Saint Nicholas in America: Christmas Holy Day and Holiday*, by Rev. Nicholas Ayo, C.S.C., professor emeritus in the Program of Liberal Studies, was published by Corby Books.

■ The erosion of "blue laws"—bans on opening stores on Sundays—points to an increase in drinking and drug use among young Americans, according to a study coauthored by economists Dan Hungerman from Notre Dame and Jonathon Gruber from the Massachusetts Institute of Technology.

■ Stanford University Press published *The Crisis of Democratic Representation in the Andes*, a new book co-edited by political scientist Scott Mainwaring that analyzes and



explains the challenges facing democratic representation in five Andean countries: Bolivia, Colombia, Ecuador, Peru, and Venezuela.

■ Princeton University Press published *The Structure and Dynamics of Networks*, a book edited by Albert-László Barabási, the Hofman Professor of Physics.

■ A NASA Hubble Space Telescope research team headed by Notre Dame astrophysicist David Bennett identified, for the first time, the parent star of a distant planet that was discovered through gravitational microlensing.

■ Sociologist Maureen Hallinan edited a book titled *School Sector and Student Outcomes* that analyzes school sector effects on students' academic development.

■ Susan D. Blum, associate professor of anthropology and director of the Center for Asian Studies, is the author of a book titled *Lies that Bind: Chinese Truth, Other Truths*, which explores the ideology of truth and deception in China and elsewhere.

■ In *The Logics and Politics of Post-WWII Migration to Western Europe*, political scientist Anthony M. Messina explores the phenomenon of Europe's immigration after World War II and its political and social disruptions.

■ In a book titled *Promoting Peace with Information*, published by Princeton University Press, political scientist Dan Lindley explores the idea that peacekeeping institutions such as the United Nations can reduce the risk of war by increasing transparency between adversaries.

■ The American Association for the Advancement of Science published the first draft of the genome sequence of the *Aedes aegypti* mosquito species that transmits the yellow fever and dengue parasite to humans. Research by biologist David W. Severson formed an integral part of the project.

■ The role of religion in the 2004 presidential election is the subject of a book edited by David E. Campbell, the John Cardinal O'Hara, C.S.C., Associate Professor of Political Science. Published by Brookings Institution Press, *A Matter of Faith: Religion in the 2004 Presidential Election* evaluates the claim that moral values

were decisive in the contest.

■ *Global Outlaws: Crime, Money, and Power in the Contemporary World*, by anthropologist Carolyn Nordstrom, was published by the University of California Press.

■ Rev. Daniel Groody, C.S.C., assistant professor of theology, is the author of *Globalization, Spirituality and Justice: Navigating the Path to Peace* and editor of *The Option for the Poor in Christian Theology*.

■ The fundamental aspects of Renaissance literary production are the subject of a book edited by JoAnn DellaNeve, associate professor of Romance languages and literatures. Published by Harvard University Press, *Ciceronian Controversies* is a volume of The I Tatti Renaissance Library.

■ Kevin Hart, a chaired professor in philosophy and literature, edited *Counter-Experiences: Reading Jean-Luc Marion*.

■ A study by Bradley Gibson, associate professor of psychology, confirmed the effectiveness of working memory training in improving attention deficits in children.

■ In a groundbreaking new book, *Image and Word in the Theology of John Calvin*, Randall C. Zachman, associate professor of theology, reveals and analyzes the Swiss reformer's understanding of image and word, both comprehensively and chronologically.

■ An international team headed by Notre Dame astrophysicist Peter M. Garnavich reported the first scientific result from the Large Binocular Telescope (LBT). The team imaged a distant "afterglow" of gamma ray burst 070125. The \$120 million LBT is located atop Mount Graham, a 10,700-foot mountain in southeastern Arizona.

■ Cornell University Press published *Milton's Peculiar Grace: Self-Representation and Authority* by Stephen M. Fallon, professor in the Program of Liberal Studies and English.

## Athletics

■ To fund repairs to historic Notre Dame Stadium, the University announced the sale of 5,000 football season tickets beginning in 2007—the first such offering in more than three decades.

■ For the second consecutive year, the Notre Dame football team earned a berth in a Bowl

Championship Series game, this time in the Allstate Sugar Bowl against LSU.

■ The Irish hockey team was the national surprise of the year, earning a No. 1 ranking for the first time, winning its first conference regular season and tournament championships and reaching the NCAA Tournament quarterfinals. Jeff Jackson was selected conference and national coach of the year.



■ Mike Brey was selected Big East Conference coach of the year after leading the Irish men's basketball team to a 24-7 record and a No. 17 national ranking.

■ A survey by *Forbes* magazine estimated the Notre Dame football program to be worth \$97 million based on what the team contributes to the University's athletic department for non-football sports and its academic use. Notre Dame ranked first in the *Forbes* survey overall, and also—by a wide margin—for the football program's contribution to the academy.

■ Notre Dame ranks second among Division I-A colleges and universities in the graduation rate for student-athletes, based on both the federal standard and the NCAA's newer Graduation Success Rate.

In addition, all 26 athletics programs exceeded the NCAA's Academic Progress Rate standards, and nine teams earned perfect scores of 1,000.

■ Kerri Hanks and Joseph Lapira won the Hermann Trophy as women's and men's national soccer players of the year—the first time both winners have come from the same school.

■ Kevin White began a one-year term in June as president

of the National Association of Collegiate Directors of Athletics.

■ The Fighting Irish finished 22<sup>nd</sup> in the final standings of the United States Sports Academy's Directors' Cup all-sports competition.

■ A poll conducted by *Street & Smith's SportsBusiness Journal* ranked Notre Dame as the top brand in collegiate sports by nearly a four-to-one margin over the University of Michigan. In the same survey, Notre Dame Stadium was selected as the nation's most popular college football venue.

■ The 35<sup>th</sup> anniversary of women's athletics at Notre Dame culminated with a variety of events April 28–29 attended by more than 500 former and current women student-athletes.



*University of Notre Dame du Lac*

**Consolidated Financial Statements  
for the years ended  
June 30, 2007 and 2006**

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
University of Notre Dame du Lac  
Notre Dame, Indiana

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of changes in unrestricted net assets, changes in net assets and cash flows present fairly, in all material respects, the financial position of the University of Notre Dame du Lac (the "University") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As discussed in Notes 7 and 8, the University adopted the provisions of SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans" at June 30, 2007 and changed its method of accounting for pension and other postretirement benefit obligations. Also, as discussed in Note 1, the University adopted the provisions of FASB Interpretation No. 47 at June 30, 2006 and changed its method of accounting for conditional asset retirement obligations.



Chicago, Illinois

November 20, 2007



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	AS OF JUNE 30	
	2007	2006
<b>Assets</b>		
Cash and cash equivalents	\$ 55,616	\$ 38,291
Accounts receivable, net	33,499	26,577
Deferred charges and other assets	31,307	27,604
Contributions receivable, net	146,037	107,330
Notes receivable, principally for student loans, net	29,586	30,066
Investments	6,723,863	5,307,413
Land, buildings and equipment, net of accumulated depreciation	851,571	836,393
<b>Total assets</b>	\$ 7,871,479	\$ 6,373,674
<b>Liabilities</b>		
Accounts payable	\$ 12,808	\$ 15,731
Commercial paper	40,000	21,000
Refundable advances	18,853	16,891
Deferred revenue	75,107	51,705
Deposits and other liabilities	64,405	81,222
Liabilities associated with investments	148,792	102,890
Obligations under split-interest agreements	37,081	25,873
Bonds and notes payable	391,425	392,265
Conditional asset retirement obligations	20,280	19,481
Pension and other postretirement benefits	76,057	51,748
Government advances for student loans	28,905	28,283
<b>Total liabilities</b>	913,713	807,089
<b>Net Assets</b>		
Unrestricted:		
Undesignated	44,044	293,051
Designated for specific purposes	243,821	116,073
Invested in land, buildings and equipment	451,746	458,211
Funds functioning as endowment	3,032,314	2,091,021
<b>Total unrestricted</b>	3,771,925	2,958,356
Temporarily restricted	2,150,191	1,689,763
Permanently restricted	1,035,650	918,466
<b>Total net assets</b>	6,957,766	5,566,585
<b>Total liabilities and net assets</b>	\$ 7,871,479	\$ 6,373,674

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2007	2006
<b>Operating Revenues and Other Additions</b>		
Tuition and fees	\$ 358,117	\$ 331,849
Less: Tuition scholarships and fellowships	(122,803)	(116,018)
<b>Net tuition and fees</b>	235,314	215,831
Grants and contracts	75,413	78,833
Contributions	40,966	27,038
Investment return distributed	80,600	73,430
Sales and services of auxiliary enterprises	176,164	156,424
Other sources	43,163	30,639
<b>Total operating revenues</b>	651,620	582,195
Net assets released from restrictions	85,592	80,043
<b>Total operating revenues and other additions</b>	737,212	662,238
<b>Operating Expenses</b>		
Instruction	251,143	232,238
Research	65,494	63,779
Public service	14,329	15,154
Academic support	45,416	42,966
Student activities and services	27,508	26,054
General administration and support	136,515	132,383
Auxiliary enterprises	139,635	131,311
<b>Total operating expenses</b>	680,040	643,885
<b>Increase in unrestricted net assets from operations</b>	57,172	18,353
<b>Non-Operating Changes in Unrestricted Net Assets</b>		
Contributions	2,974	8,138
Investment return:		
Investment income	55,530	49,744
Net gain on investments	664,923	467,383
Less: Investment return distributed	(80,600)	(73,430)
	639,853	443,697
Net gain/(loss) on other financial instruments	(848)	12,020
Net assets released from restrictions	129,657	112,513
Change in additional pension liability	-	18,040
Cumulative effect of change in accounting principle:		
Adoption of FASB Interpretation No. 47	-	(17,683)
Adoption of FASB Statement No. 158	(21,776)	-
Other non-operating changes	6,537	2,242
<b>Increase in unrestricted net assets from non-operating activities</b>	756,397	578,967
<b>Increase in unrestricted net assets</b>	\$ 813,569	\$ 597,320

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2007	2006
<b>Unrestricted Net Assets</b>		
Operating revenues and other additions	\$ 737,212	\$ 662,238
Operating expenses	(680,040)	(643,885)
<b>Increase in unrestricted net assets from operations</b>	57,172	18,353
<b>Increase in unrestricted net assets from non-operating activities</b>	756,397	578,967
<b>Increase in unrestricted net assets</b>	813,569	597,320
<b>Temporarily Restricted Net Assets</b>		
Contributions	77,506	88,696
Investment income	44,256	39,941
Net gain on investments	547,271	320,307
Change in value of split-interest agreements	1,700	894
Net assets released from restrictions	(215,249)	(192,556)
Other changes in temporarily restricted net assets	4,944	(7,362)
<b>Increase in temporarily restricted net assets</b>	460,428	249,920
<b>Permanently Restricted Net Assets</b>		
Contributions	115,143	79,577
Investment income	2,214	2,094
Net gain on investments	993	2,883
Change in value of split-interest agreements	2,283	1,306
Other changes in permanently restricted net assets	(3,449)	(849)
<b>Increase in permanently restricted net assets</b>	117,184	85,011
<b>Increase in net assets</b>	1,391,181	932,251
<b>Net assets at beginning of year</b>	5,566,585	4,634,334
<b>Net assets at end of year</b>	\$ 6,957,766	\$ 5,566,585

See accompanying notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

YEARS ENDED JUNE 30

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,391,181	\$ 932,251
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	37,042	34,485
Cumulative effect of change in accounting principle	21,776	17,683
Carrying value of disposed land, buildings and equipment	3,069	817
Change in obligations under split-interest agreements	11,208	(690)
Change in conditional asset retirement obligations	799	-
Change in pension and other postretirement benefits	2,533	(9,862)
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(10,625)	(6,546)
Contributions receivable	(38,707)	(29,001)
Accounts payable, refundable advances, deferred revenue, and deposits and other liabilities	5,624	19,275
Contributions for investments and physical facilities	(125,893)	(113,499)
Investment income restricted for reinvestment	(2,214)	(2,094)
Net gain on investments	(1,213,187)	(790,573)
Other, net	(8,253)	(10,673)
<b>Net cash provided by operating activities</b>	<b>74,353</b>	<b>41,573</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	3,533,142	2,554,342
Purchases of investments	(3,727,756)	(2,731,202)
Purchases of land, buildings and equipment	(55,306)	(92,403)
Student loans granted	(5,852)	(5,369)
Student loans repaid	6,340	8,917
Other changes in notes receivable	(8)	1,756
<b>Net cash used by investing activities</b>	<b>(249,440)</b>	<b>(263,959)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions for investments and physical facilities	125,893	113,499
Investment income restricted for reinvestment	2,214	2,094
Net proceeds from commercial paper issued	19,000	21,000
Proceeds from bonds issued	-	185,000
Repayment of bonds and notes	(940)	(114,510)
Government advances for student loans	622	482
Cash accepted for investment on behalf of religious affiliate	45,623	-
<b>Net cash provided by financing activities</b>	<b>192,412</b>	<b>207,565</b>
<b>Net change in cash and cash equivalents</b>	<b>17,325</b>	<b>(14,821)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>38,291</b>	<b>53,112</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 55,616</b>	<b>\$ 38,291</b>
<b>Supplemental Data</b>		
Interest paid	\$ 14,660	\$ 12,285
Noncash investing and financing activities:		
Assets acquired with note payable	\$ 100	\$ 39,900
Contributed securities	\$ 9,008	\$ 10,010

See accompanying notes to consolidated financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

The University of Notre Dame du Lac is a private, coeducational, national Catholic research university. The accompanying consolidated financial statements include the assets and operations of certain other entities under the financial control of the University of Notre Dame du Lac. 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 on the accrual basis of accounting and in accordance with the reporting principles of not-for-profit accounting as defined by Statement of Financial Accounting Standards (SFAS) 116 “Accounting for Contributions Received and Contributions Made,” and SFAS 117 “Financial Statements of Not-for-Profit Organizations.” SFAS 116 requires unconditional promises to give be recorded as receivables and revenue within the appropriate net asset category. SFAS 117 establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of changes in net assets and a statement of cash flows.

The accompanying consolidated financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed restrictions and available for any purpose consistent with the University’s mission.

*Temporarily Restricted Net Assets* – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the University and/or passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Earnings and appreciation on permanently restricted endowment funds are generally recorded as increases in temporarily restricted net assets.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the University. Contributed assets are generally restricted to long-term investment, with earnings and appreciation available for expenditure in accordance with donor specifications and University spending policy. Permanently restricted net assets generally reflect the original value of contributed assets, as well as reinvested earnings when specified by the donor.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in net assets consistent with the restrictions placed on their use either by the donor or by law.

The University recognizes revenues on grants and contracts for research and other sponsored programs as the awards for such programs are expended. Indirect cost recovery by the University on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue. Advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed.

Net assets released from restrictions represents the portion of temporarily restricted net assets for which donor-imposed restrictions were satisfied during the period, either by expenditure in accordance with the donor's intended purpose or by virtue of the expiration of a term of restriction. Restricted contributions or investment returns received and expended within the same fiscal period are reported as increases in temporarily restricted net assets and net assets released from restrictions, respectively, in the consolidated statements of changes in net assets.

The University's measure of operations as presented in the consolidated statements of changes in unrestricted net assets includes revenues from tuition and fees, grants and contracts, unrestricted contributions, investment return distributed according to the University's spending policy and revenues from auxiliary enterprises and other sources. Other additions include net assets released from restrictions based upon their expenditure in support of operations or net assets made available for operations by virtue of the expiration of a term of restriction. Operating expenses are reported by functional categories, after allocating costs for operations and maintenance of plant, interest on indebtedness and depreciation expense.

Non-operating activity presented in the consolidated statements of changes in unrestricted net assets includes unrestricted contributions designated by the University for endowment or investment in buildings and equipment, investment return in excess of or less than the amount distributed for operations under the spending policy, any gains or losses on other financial instruments, net assets released from restrictions designated for non-operating purposes, and other activities considered to be more of an unusual or non-recurring nature.

#### **CONTRIBUTIONS RECEIVABLE**

Contributions include unconditional promises to give that are recognized as revenues – either temporarily restricted or permanently restricted – in the period such commitments are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received in future years are discounted at a U.S. Treasury rate commensurate with the payment plan. Amortization of the discount is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based upon management's expectations regarding collection of outstanding promises to give and past collection experience.

#### **AUXILIARY ENTERPRISES**

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of residence halls, dining halls, inter-collegiate athletics and college stores. Auxiliary enterprise revenues and fully-costed expenses are reported as changes in unrestricted net assets.

#### **CASH AND CASH EQUIVALENTS**

Resources invested in money market funds and in short-term investments with maturities at 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 FDIC insurance limits.

#### **INVESTMENTS**

##### *Valuation*

Investments are stated at fair value and are recorded on the trade or contract date. The fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. The fair value of certain alternative investments, such as private equity interests, is estimated based on valuations provided by the associated external investment managers. The University exercises diligence in assessing the policies, procedures and controls implemented by its external investment managers, and 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.

The University utilizes certain derivative instruments to manage risks associated with its investment portfolio. These instruments are stated at fair value. Open futures and options contracts are primarily valued at the closing exchange quotations on the last business day of the year. The fair value of credit default swaps and certain options contracts for which market quotations are not readily available is based upon valuations provided by counterparties, which represent the estimated amount the counterparties would receive or pay to terminate the contract at the reporting date. When appropriate, independent appraisers may also be engaged to assist in the valuation of such instruments. The fair value of forward foreign currency exchange contracts is estimated using quotes obtained from banks and foreign exchange dealers. The fair value of these contracts is reported on a net-by-counterparty basis where management believes a legal right of offset exists under an enforceable netting agreement. The change in the fair value of derivative instruments associated with the investment portfolio is recorded as a gain or loss on investments.

#### *Investments Held on Behalf of Other Entities*

The University serves as the trustee for its employees' defined benefit pension plan and certain revocable charitable trusts, managing the investment assets held within the plan and the trusts. The University also manages investment assets on behalf of an affiliated religious organization integral to 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 fair value of investments managed on behalf of these entities.

#### **OTHER FINANCIAL INSTRUMENTS**

The University utilizes derivative instruments in a limited manner outside of its investment portfolio to manage interest rate risk associated with its long term debt. These instruments, primarily interest rate swap agreements, are reported in the consolidated statements of financial position at fair value, which is based on valuations provided by counterparty banks and represents the estimated amount that counterparties would receive or pay to terminate the instrument at the reporting date. Any gains or losses resulting from changes in the fair value of these instruments or periodic net cash settlements with counterparties are recognized currently as non-operating changes in unrestricted net assets.

#### **LAND, BUILDINGS AND EQUIPMENT**

Institutional properties are stated at cost or at 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.

The University has applied the provisions of AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," when accounting for costs related to the development of software for internal use.

#### *Conditional Asset Retirement Obligations*

The University adopted FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47) as of June 30, 2006 and recognized the cumulative effect of the initial application as a change in accounting principle.

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 statement of changes in unrestricted net assets. The University's conditional asset retirement obligations relate primarily to asbestos remediation and will be settled upon undertaking associated renovation projects.

#### **SPLIT-INTEREST AGREEMENTS**

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Contributions revenue is recognized at the date a gift annuity or trust is established after recording a liability for the present value of the estimated future payments to be made to beneficiaries. 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.

Discount rates used in estimating the present value of future payments are commensurate with Internal Revenue Service guidelines.

#### **USE OF ESTIMATES**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 a qualified tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

#### **RECLASSIFICATIONS**

Certain amounts in the 2006 financial statements and footnotes have been reclassified to conform to the 2007 presentation.

#### **NOTE 2. ACCOUNTS AND NOTES RECEIVABLE**

At June 30, 2007, accounts and notes receivable are stated net of allowances of \$672,000 and \$1,117,000, respectively. At June 30, 2006, these allowances were \$668,000 and \$1,117,000, respectively.

Notes receivable are principally amounts due from students under U.S. government sponsored loan programs, which are subject to significant restrictions. As it is not practicable to determine the fair value of such amounts, notes receivable are recorded at face value.

### NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30 (in thousands):

	2007	2006
Unconditional promises expected to be collected in:		
Less than one year	\$ 50,380	\$ 38,159
One year to five years	99,331	59,481
More than five years	81,600	76,391
	<u>231,311</u>	<u>174,031</u>
Less:		
Unamortized discount	57,916	48,910
Allowance for uncollectible amounts	27,358	17,791
	<u>85,274</u>	<u>66,701</u>
	<u>\$ 146,037</u>	<u>\$ 107,330</u>

Contributions receivable are distributed between net asset classifications as follows at June 30 (in thousands):

	2007	2006
Temporarily restricted for:		
Operating purposes	\$ 18,704	\$ 15,320
Investment in land, buildings and equipment	38,116	40,796
Funds functioning as endowment	10,409	8,730
	<u>67,229</u>	<u>64,846</u>
Permanently restricted for endowment	78,808	42,484
	<u>\$ 146,037</u>	<u>\$ 107,330</u>

Contributions receivable are discounted at rates ranging from 2.06 percent to 6.59 percent at June 30, 2007.

At June 30, 2007, the University had received documented conditional pledges of \$38.5 million which are not reflected in the accompanying consolidated financial statements.

### NOTE 4. INVESTMENTS

Investment holdings at fair value were comprised of the following at June 30 (in thousands):

	UNITIZED INVESTMENT POOL	OTHER INVESTMENTS	2007 TOTAL	2006 TOTAL
Endowment and funds functioning as endowment	\$ 5,839,894	\$ 63,493	\$ 5,903,387	\$ 4,378,912
Working capital and other assets	591,377	19,504	610,881	798,720
Student loan funds	5,025	-	5,025	4,069
Split-interest agreements	44,971	14,193	59,164	41,034
Investments held on behalf of:				
Defined benefit pension plan	-	92,573	92,573	79,925
Revocable charitable trusts	-	3,964	3,964	4,753
Religious affiliate	48,869	-	48,869	-
	<u>\$ 6,530,136</u>	<u>\$ 193,727</u>	<u>\$ 6,723,863</u>	<u>\$ 5,307,413</u>



Investments totaling \$6.5 billion at June 30, 2007, and \$5.1 billion at June 30, 2006 are pooled on a market value basis with each participating fund owning units in the pool. Transactions constituting additions or withdrawals are unitized on a quarterly basis based on the estimated market value of the pooled investments. Certain investments are held in specific instruments outside the unitized investment pool to comply with donor requirements or other considerations.

The unitized investment pool is comprised primarily of endowment-related holdings. As such, the pool's 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 pool 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 unitized investment pool targets 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 at fair value are summarized as follows at June 30 (in thousands):

	UNITIZED INVESTMENT POOL	OTHER INVESTMENTS	2007 TOTAL	2006 TOTAL
Short-term investments	\$ 251,959	\$ 18,129	\$ 270,088	\$ 347,930
Public equities:				
U.S.	579,671	70,166	649,837	743,134
Non-U.S.	1,202,418	20,824	1,223,242	809,813
Long/short strategies	935,727	-	935,727	670,732
Fixed income securities	244,433	29,865	274,298	290,774
Marketable alternatives	1,047,666	40,504	1,088,170	846,584
Private equity	1,203,359	7,638	1,210,997	847,726
Real estate	414,599	743	415,342	301,359
Other real assets	650,304	5,858	656,162	449,361
	<u>\$ 6,530,136</u>	<u>\$ 193,727</u>	<u>\$ 6,723,863</u>	<u>\$ 5,307,413</u>

Short-term investments held in the unitized investment pool consist primarily of cash equivalents held by external investment managers. Short-term investments held outside the unitized investment pool include \$11,880,000 and \$33,564,000 in unexpended proceeds from the Series 2005 St. Joseph County Educational Facilities Revenue Bonds at June 30, 2007, and 2006, respectively.

The University is obligated under contracts with certain external managers, primarily those managing private equity, real assets and marketable alternatives, to periodically advance additional capital up to contractual levels in subsequent years. At June 30, 2007 such amounts approximated \$2.17 billion.

#### OFF-BALANCE SHEET RISK

The University's investment strategy incorporates the use of certain financial instruments that bear, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the consolidated financial statements. Market risk in this context represents the potential for changes in the value of financial instruments such as forwards, futures and credit default swaps due to events affecting the value of the underlying assets, including those embodied in interest and foreign exchange rate movements and fluctuations in commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. 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 and is not represented by the contract or notional amounts of the instruments.

The University also bears risk arising from unanticipated movements in the value of foreign currencies relative to the U.S. dollar. To mitigate the impact of changing foreign currency exchange rates on the U.S. dollar value of its international

equity holdings, the University utilizes a dynamic currency overlay strategy. While operating within specified risk parameters, the currency overlay manager is expected to outperform a specified hedged benchmark by actively managing individual currency risks utilizing forward foreign currency exchange contracts.

## INVESTMENT RETURN

Investment return for the years ended June 30, 2007, and 2006, comprises the following (in thousands):

	2007		2006	
Investment income, net	\$	102,000	\$	91,779
Realized gains, net		468,954		518,920
Unrealized gains, net		744,233		271,653
	\$	1,315,187	\$	882,352

Investment income is reported net of related expenses of \$20,446,000 and \$17,251,000 for the years ended June 30, 2007, and 2006, respectively. Investment-related expenses consist primarily of fees from external investment advisors, but also include operating expenses related to internal investment staff.

A portion of investment returns are distributed annually to beneficiary programs under the University's endowment spending policy. In addition, a portion of unrestricted returns on working capital and other assets is distributed to supplement the University's general operating needs and other initiatives.

Investment return distributed is summarized by source below for the years ended June 30 (in thousands):

	UNRESTRICTED		TEMPORARILY RESTRICTED		2007 TOTAL		2006 TOTAL	
Endowment and funds functioning as endowment	\$	62,189	\$	73,767	\$	135,956	\$	123,463
Working capital and other sources		18,411		-		18,411		18,681
	\$	80,600	\$	73,767	\$	154,367	\$	142,144

## LIABILITIES ASSOCIATED WITH INVESTMENTS

Liabilities associated with investments are comprised of the following at June 30 (in thousands):

	2007		2006	
Forward foreign exchange contracts payable	\$	3,386	\$	18,212
Fair value of investments held on behalf of:				
Defined benefit pension plan		92,573		79,925
Revocable charitable trusts		3,964		4,753
Religious affiliate		48,869		-
		145,406		84,678
	\$	148,792	\$	102,890

## NOTE 5. LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment at June 30 (in thousands):

	2007	2006
Land and land improvements	\$ 82,055	\$ 56,559
Buildings	903,369	820,978
Equipment	195,783	193,296
Construction in progress	28,548	98,689
	<u>1,209,755</u>	<u>1,169,522</u>
Less: Accumulated depreciation	358,184	333,129
	<u>\$ 851,571</u>	<u>\$ 836,393</u>

Depreciation expense was \$37,042,000 and \$34,485,000 for the years ended June 30, 2007, and 2006, respectively. The University has commitments to expend approximately \$103 million to complete various construction projects as of June 30, 2007.

The University recognized accretion expense of \$799,000 associated with its conditional asset retirement obligations for the year ended June 30, 2007.

## NOTE 6. BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following at June 30 (in thousands):

<i>Obligations of the University</i>	2007	2006
St. Joseph County, Indiana, Educational Facilities Revenue Bonds:		
Series 2005, bearing interest at a variable rate (3.65 percent currently) through 2040	\$ 185,000	\$ 185,000
Series 2003, bearing interest at 2.5 percent through 2007, variable thereafter through 2038	65,000	65,000
Series 1998, bearing interest at a variable rate (3.69 percent currently) through 2033	43,000	43,000
Series 1997, bearing interest at 5.0 percent to 5.25 percent through 2027	26,770	27,540
Series 1996, bearing interest at 5.5 percent to 6.5 percent through 2026, partially refunded as part of the Series 2005 variable rate bonds	7,890	7,890
Indiana Educational Facilities Authority Revenue Bonds:		
Series 1997, bearing interest at 5.25 percent through 2025	22,655	22,745
Notre Dame du Lac Dormitory Refunding and Construction Bonds bearing interest at 3 percent through 2018	1,110	1,190
	<u>351,425</u>	<u>352,365</u>
<i>Obligation of majority-owned limited liability corporation</i>		
Mortgage note payable, bearing interest at 5.68 percent through 2016	40,000	39,900
	<u>\$ 391,425</u>	<u>\$ 392,265</u>

The aggregate scheduled maturities of bonds and notes payable are summarized as follows (in thousands):

2008	\$ 6,490
2009	3,627
2010	3,897
2011	4,083
2012	4,332
Thereafter	368,996
	<u>\$ 391,425</u>



Notre Dame du Lac Dormitory Refunding and Construction Bonds are collateralized by the facilities to which they relate. The Indiana and St. Joseph County Educational Facilities Revenue Bonds represent general obligations of the University and are not collateralized by the related facilities. Proceeds of \$11,880,000 and \$33,564,000 from the Series 2005 St. Joseph County Educational Facilities Revenue Bonds were unexpended as of June 30, 2007 and June 30, 2006, respectively.

The University is the majority owner of an externally managed limited liability corporation, the activities of which are reflected within the University's consolidated financial statements. The corporation's assets consist primarily of real estate, the acquisition of which was financed in part with a \$40 million note payable bearing interest at 5.68%, due in 2016. The note is not a general obligation of the University but is fully collateralized by the property acquired.

The fair value of the University's bond and note obligations approximates the aggregate carrying value at June 30, 2007 and 2006.

The University utilizes interest rate swaps as a strategy for managing interest rate risk associated with certain bond issues. Under the terms of swap arrangements that seek to effectively fix the variable rates associated with certain issues, the University pays fixed rates ranging from 3.37 percent to 5.01 percent and receives variable rates ranging from 67 percent to 70 percent of the London Interbank Offer Rate (LIBOR) on total notional amounts of \$105,970,000. A separate swap arrangement seeks to convert the fixed rate on the Series 2003 bonds to a variable rate through December 2, 2007. Under the terms of this swap, the University pays a variable rate equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index and receives a fixed rate of 2.35 percent on a notional amount of \$65,000,000. The estimated fair value of interest rate swaps was a net unrealized loss position of \$3,256,000 and \$4,077,000 at June 30, 2007 and 2006, respectively. The University paid periodic net settlements of \$1,342,000 and \$1,351,000 to counterparties pursuant to interest rate swaps during the years ended June 30, 2007 and 2006, respectively.

In fiscal 2006, the University established a taxable and tax-exempt extendible municipal commercial paper program issued by St. Joseph County, Indiana and the University of Notre Dame. The University may utilize tax-exempt commercial paper to finance, reimburse, or refinance the cost of land, site improvements, buildings, and equipment for educational facilities for the University. In addition, taxable commercial paper may be used to finance working capital needs. Total outstanding issues are limited to \$75 million. Outstanding issues totaled \$40,000,000 and \$21,000,000 at June 30, 2007 and June 30, 2006, respectively.

Total interest costs incurred by the University were \$14,172,000 and \$11,731,000, respectively, for the years ended June 30, 2007 and June 30, 2006, respectively.

The University maintains an unsecured line of credit in the amount of \$50 million with a major commercial bank to be used for working capital purposes. On February 21, 2007, the line of credit agreement was amended, extending the termination date to March 28, 2008. The available line of credit was entirely unused at June 30, 2007 and 2006.

## NOTE 7. PENSION AND OTHER RETIREMENT PLANS

### DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty and certain administrative employees who have completed one year of full-time service at the University are eligible to participate in the defined contribution retirement savings plan. Staff members participating in the plan have the option of directing their contributions and the University's contributions on their behalf to Teachers Insurance and Annuity Association, Fidelity Investments or the Vanguard Group. Participating staff are immediately vested in the plan. The University's share of the cost of these benefits was \$17,523,000 and \$17,114,000 for the years ended June 30, 2007, and 2006, respectively.

### DEFINED BENEFIT PENSION PLAN

Retirement benefits are provided for other employees under a defined benefit pension plan, for which the University serves as trustee and administrator. This plan provides benefits for certain administrators and staff after one year of qualifying service. Retirement benefits are based on the employee's total years of service and average pay over the final five years of service. Plan participants are fully vested after five years of service. The University funds the plan with annual contributions that meet ERISA minimum requirements. The actuarially determined benefit obligation is included in pension and other postretirement benefits in the consolidated statements of financial position.

At June 30, 2007, the University adopted the provisions of SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans." SFAS 158 requires the recognition of the full funded status of defined benefit pension plans in the statement of financial position. Accordingly, the plan's actuarially determined benefit obligation recorded at June 30, 2007 reflects the excess of the projected benefit obligation over the fair value of plan assets. As a result of adopting SFAS 158, the University has recognized the \$5,090,000 cumulative effect of the change in accounting principle in the consolidated statement of changes in unrestricted net assets for the year ended June 30, 2007.

For the year ended June 30, 2006, an \$18,040,000 decrease in the minimum pension liability adjustment required under previous accounting guidance is reflected as a non-operating gain in the statements of changes in unrestricted net assets.

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 the benefits under the plan.

The following tables set forth the funded status of the defined benefit pension plan as well as the components of net periodic benefit cost and the weighted-average assumptions at June 30 (in thousands):

	2007	2006
<b>Change in Benefit Obligation</b>		
Projected benefit obligation at beginning of year	\$ 110,915	\$ 127,536
Service cost	4,614	6,031
Interest cost	6,504	6,149
Actuarial (gain)/loss	(4,840)	(25,049)
Benefit payments	(3,907)	(3,752)
Projected benefit obligation at end of year	113,286	110,915
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	79,925	70,765
Actual return on plan assets	11,603	8,072
Employer contributions	4,952	4,840
Benefit payments	(3,907)	(3,752)
Fair value of plan assets at end of year	92,573	79,925
Funded status	(20,713)	(30,990)
Unrecognized net loss	-	14,744
Unrecognized prior service costs	-	200
Accrued liability for pension benefits	\$ (20,713)	\$ (16,046)
<b>Components of Cumulative Effect of Change in Accounting Principle for Adoption of SFAS 158</b>		
Previously unrecognized net loss	\$ 4,982	
Previously unrecognized prior service cost	108	
Incremental increase in liability for pension benefits	\$ 5,090	
<b>Components of Net Periodic Benefit Cost</b>		
Service cost	\$ 4,614	\$ 6,031
Interest cost	6,504	6,149
Expected return on plan assets	(6,710)	(5,933)
Amortization of:		
Unrecognized net loss	30	2,494
Unrecognized prior service cost	92	92
Net periodic benefit cost	\$ 4,530	\$ 8,833
Accumulated benefit obligation at end of year	\$ 89,613	\$ 86,214
<b>Weighted-Average Assumptions</b>		
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	8.50%	8.50%
Rate of compensation increase	5.00%	5.00%

The University expects to recognize prior service costs of \$92,000 within net periodic benefit cost during the fiscal year ending June 30, 2008.



The projected payments to beneficiaries under the plan for each of the five fiscal years subsequent to June 30, 2007 are as follows (in thousands):

2008	\$	4,242
2009	\$	4,490
2010	\$	4,754
2011	\$	5,053
2012	\$	5,471

Projected aggregate benefit payments under the plan for the five year period ended June 30, 2017 are \$35,008,000.

The University's estimated contributions to the plan for the year subsequent to June 30, 2007 are \$5,500,000.

The assets of the defined benefit pension plan are invested in a manner that is intended to achieve a rate of return of 8.5 percent, which is the plan's assumed long-term rate of return. In order to preserve the purchasing power of the plan and provide payments to beneficiaries, a rate of return objective of inflation plus 5.0 percent is targeted.

The investment portfolio of the plan 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. The plan's assets are invested primarily with third party fund managers.

Actual and targeted allocations of the plan's assets by investment category were as follows at June 30:

	2007	2006	Target
Short-term investments	0.9%	0.6%	0.0%
Public equities:			
U.S.	18.5%	18.8%	17.5%
Non-U.S.	19.0%	19.7%	17.5%
Fixed income securities	15.5%	17.3%	17.5%
Marketable alternatives	31.0%	30.3%	30.0%
Private equity	8.3%	8.5%	10.0%
Real assets	6.8%	4.8%	7.5%
	100.0%	100.0%	100.0%

## NOTE 8. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The postretirement benefit plans offered by the University provide medical insurance benefits for retirees and their spouses. Employees are eligible for such benefits if they retire after attaining specified age and service requirements while employed by the University. The plans are funded as claims are paid.

During the year ended June 30, 2006, the University amended certain features of its postretirement benefit plans as a result of consolidating several retiree medical plans. The effect of these amendments on the accumulated postretirement benefit obligation (APBO) was a decrease of \$14,730,000.

At June 30, 2007, the University adopted the provisions of SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans." SFAS 158 requires the recognition of the full funded status of defined benefit postretirement benefit plans in the statement of financial position. Accordingly, the actuarially determined benefit obligation for the University's retiree medical insurance plans recorded at June 30, 2007 reflects the full APBO as of that date. As a result of adopting SFAS 158, the University has recognized the \$16,686,000 cumulative effect of the change in accounting principle in the consolidated statement of changes in unrestricted net assets for the year ended June 30, 2007.

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 the benefits under the plan.

The following tables set forth the funded status of postretirement benefits as well as the components of net periodic benefit cost and the weighted-average assumptions at June 30 (in thousands):

	2007	2006
<b>Change in Benefit Obligation</b>		
Accumulated postretirement benefit obligation at beginning of year	\$ 50,153	\$ 58,715
Service cost	3,399	3,859
Interest cost	3,008	2,586
Plan amendments	-	(14,730)
Actuarial (gain)/loss	(338)	607
Benefit payments	(878)	(884)
Accumulated postretirement benefit obligation at end of year	55,344	50,153
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	-	-
Actual return on plan assets	-	-
Employer contributions	878	884
Benefit payments	(878)	(884)
Fair value of plan assets at end of year	-	-
Funded status	(55,344)	(50,153)
Unrecognized net loss	-	34,542
Unrecognized prior service credit	-	(20,091)
Accrued liability for postretirement benefits	\$ (55,344)	\$ (35,702)
<b>Components of Cumulative Effect of Change in Accounting Principle for Adoption of SFAS 158</b>		
Previously unrecognized net loss	\$ 31,815	
Previously unrecognized prior service credit	(15,129)	
Incremental increase in liability for postretirement benefits	\$ 16,686	
<b>Components of Net Periodic Benefit Cost</b>		
Service cost	\$ 3,399	\$ 3,859
Interest cost	3,008	2,586
Amortization of:		
Unrecognized prior service credit	(4,962)	(4,096)
Unrecognized net loss	2,389	2,721
Net periodic benefit cost	\$ 3,834	\$ 5,070
<b>Weighted-Average Assumptions</b>		
Discount rate	6.25%	6.25%
Health care cost trend rate (grading to 5.0 percent in 2013)	9.50%	10.00%

The University expects to recognize net losses and prior service credits of \$2,650,000 and \$4,962,000, respectively, as components of net periodic benefit cost during the fiscal year ending June 30, 2008.

A one-percentage-point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO by approximately \$1,496,000 and \$10,899,000, respectively. Likewise, a one-percentage-point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately \$1,205,000 and \$9,169,000, respectively.

The projected payments to beneficiaries for each of the five fiscal years subsequent to June 30, 2007 are as follows (in thousands):

2008	\$	1,214
2009	\$	1,357
2010	\$	1,550
2011	\$	1,730
2012	\$	1,914

Projected aggregate postretirement benefit payments for the five year period ended June 30, 2017 are \$13,455,000.

## NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized as follows at June 30 (in thousands):

	2007	2006
Contributions and investment return for operating purposes	\$ 77,191	\$ 70,979
Contributions for investment in land, buildings and equipment	41,344	117,837
Split-interest agreements	12,087	7,703
Funds functioning as endowment	2,019,569	1,493,244
	<u>\$ 2,150,191</u>	<u>\$ 1,689,763</u>

Temporarily restricted net assets include contributions receivable of \$67,229,000 and \$64,846,000 at June 30, 2007 and 2006, respectively.

Net assets released from restrictions for operations are summarized below for the years ended June 30 (in thousands):

	2007	2006
Purpose restrictions satisfied:		
Scholarships and fellowships awarded	\$ 29,940	\$ 26,262
Expenditures for operating purposes	55,652	52,161
Term restrictions satisfied:		
Matured split-interest agreements made available for operations	-	1,620
	<u>\$ 85,592</u>	<u>\$ 80,043</u>

Non-operating net assets released from restrictions include the following for the years ended June 30 (in thousands):

	2007	2006
Reclassified endowment appreciation	\$ 56,876	\$ 39,370
Expenditures for land, buildings and equipment	72,781	73,143
	<u>\$ 129,657</u>	<u>\$ 112,513</u>

## NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30 (in thousands):

	2007	2006
Endowment funds	\$ 1,014,427	\$ 903,573
Student loan funds	7,128	6,048
Split-interest agreements	11,463	8,845
Beneficial interests in perpetual trusts	2,632	-
	<u>\$ 1,035,650</u>	<u>\$ 918,466</u>

Permanently restricted net assets include contributions receivable of \$78,808,000 and \$42,484,000 at June 30, 2007 and 2006, respectively.



## NOTE 11. ENDOWMENT

The University's endowment consists of more than 4,500 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.

Endowment and funds functioning as endowment are summarized below as of June 30 (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2007 TOTAL	2006 TOTAL
Funds established to support:					
Scholarships and fellowships	\$ 794,851	\$ 580,010	\$ 392,822	\$ 1,767,683	\$ 1,425,882
Faculty chairs	264,408	589,790	178,258	1,032,456	825,677
Academic programs	107,378	363,821	159,491	630,690	486,996
General operations	1,047,142	61	1,930	1,049,133	545,622
Other	818,535	475,478	203,118	1,497,131	1,152,447
	3,032,314	2,009,160	935,619	5,977,093	4,436,624
Contributions receivable	-	10,409	78,808	89,217	51,214
	\$ 3,032,314	\$ 2,019,569	\$ 1,014,427	\$ 6,066,310	\$ 4,487,838

The fair value of assets associated with individual endowment funds may fall below the level required by donor stipulations when the timing of contributions coincide with unfavorable market fluctuations. Unrealized losses of this nature were insignificant at June 30, 2007 and 2006, respectively.

Endowment and funds functioning as endowment are invested primarily in the University's unitized investment pool. Certain funds are invested in other instruments in accordance with donor requirements and other considerations.

Changes in the University's endowment are summarized below for the years ended June 30 (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2007 TOTAL	2006 TOTAL
Beginning of the year	\$ 2,091,021	\$ 1,493,244	\$ 903,573	\$ 4,487,838	\$ 3,690,694
Contributions	2,376	39,368	111,209	152,953	114,503
Other changes, net	381,924	26,664	(2,482)	406,106	44,988
Investment return:					
Investment income	39,915	43,712	2,090	85,717	77,933
Net gain on investments	522,391	547,224	37	1,069,652	683,183
Less: Investment return distributed	(62,189)	(73,767)	-	(135,956)	(123,463)
Net assets released from restrictions	56,876	(56,876)	-	-	-
	\$ 3,032,314	\$ 2,019,569	\$ 1,014,427	\$ 6,066,310	\$ 4,487,838

During the year ended June 30, 2007, the University formally designated \$360,000,000 in unrestricted net assets as funds functioning as endowment for the support of general University operations.

Unrestricted net assets expended for operational purposes consistent with donor-imposed restrictions on specific endowment funds serves to release the restrictions on appreciation accumulated in those endowment funds. This release of restrictions on endowment net assets is recognized in the period concurrent with the applicable underlying expenditure of unrestricted net assets. In order to preserve the future spending power of the respective endowed programs, the University establishes unrestricted funds functioning as endowment designated for programs consistent with the original donor intent upon the release of restrictions.

Endowment net assets released from restrictions and reclassified to unrestricted funds functioning as endowment are summarized below for the years ended June 30 (in thousands):

	2007	2006
Scholarships and fellowships	\$ 34,978	\$ 28,292
Faculty chairs	10,608	7,365
Libraries	3,196	2,172
Other	8,094	1,541
	<u>\$ 56,876</u>	<u>\$ 39,370</u>

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 do 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 expended for the operational needs of fund participants.

Investment return distributed under the University's endowment spending policy to meet operational needs is summarized below by the purpose associated with the applicable funds for the years ended June 30 (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	2007 TOTAL	2006 TOTAL
Scholarships and fellowships	\$ 22,534	\$ 27,141	\$ 49,675	\$ 46,030
Faculty chairs	6,977	21,515	28,492	26,178
Academic programs	1,968	14,450	16,418	14,941
Libraries	2,072	2,751	4,823	4,530
Other endowed programs	9,437	7,910	17,347	15,498
General operations	19,201	-	19,201	16,286
	<u>\$ 62,189</u>	<u>\$ 73,767</u>	<u>\$ 135,956</u>	<u>\$ 123,463</u>

## NOTE 12. SPLIT-INTEREST AGREEMENTS

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. The fair value of assets held in charitable trusts was \$59,164,000 and \$41,034,000 at June 30, 2007 and 2006, respectively. 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. The aggregate fair value of these assets was \$8,797,000 and \$6,720,000 at June 30, 2007 and 2006, respectively.

Obligations under split-interest agreements are summarized below based on restrictions imposed by donors in the respective agreements. The amounts represent the present value of estimated future payments to beneficiaries at June 30 (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2007 TOTAL	2006 TOTAL
Charitable trusts	\$ -	\$ 16,420	\$ 17,724	\$ 34,144	\$ 23,482
Charitable gift annuities	1,467	250	1,220	2,937	2,391
	\$ 1,467	\$ 16,670	\$ 18,944	\$ 37,081	\$ 25,873

## NOTE 13. GRANTS AND CONTRACTS

The University recognized operating revenues on direct expenditures and related indirect costs associated with research and other grants and contracts as follows for the years ended June 30 (in thousands):

	DIRECT	INDIRECT	2007 TOTAL	2006 TOTAL
Government sources:				
Federal	\$ 46,859	\$ 13,281	\$ 60,140	\$ 62,861
State	2,129	47	2,176	3,209
	48,988	13,328	62,316	66,070
Private organizations	12,054	1,043	13,097	12,763
	\$ 61,042	\$ 14,371	\$ 75,413	\$ 78,833

Funding for federally sponsored research and other programs is received from the U.S. government and from institutions 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 student aid programs for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled \$7,276,000 and \$5,227,000 for the years ended June 30, 2007 and 2006, respectively.

## NOTE 14. CONTINGENCIES

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.

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