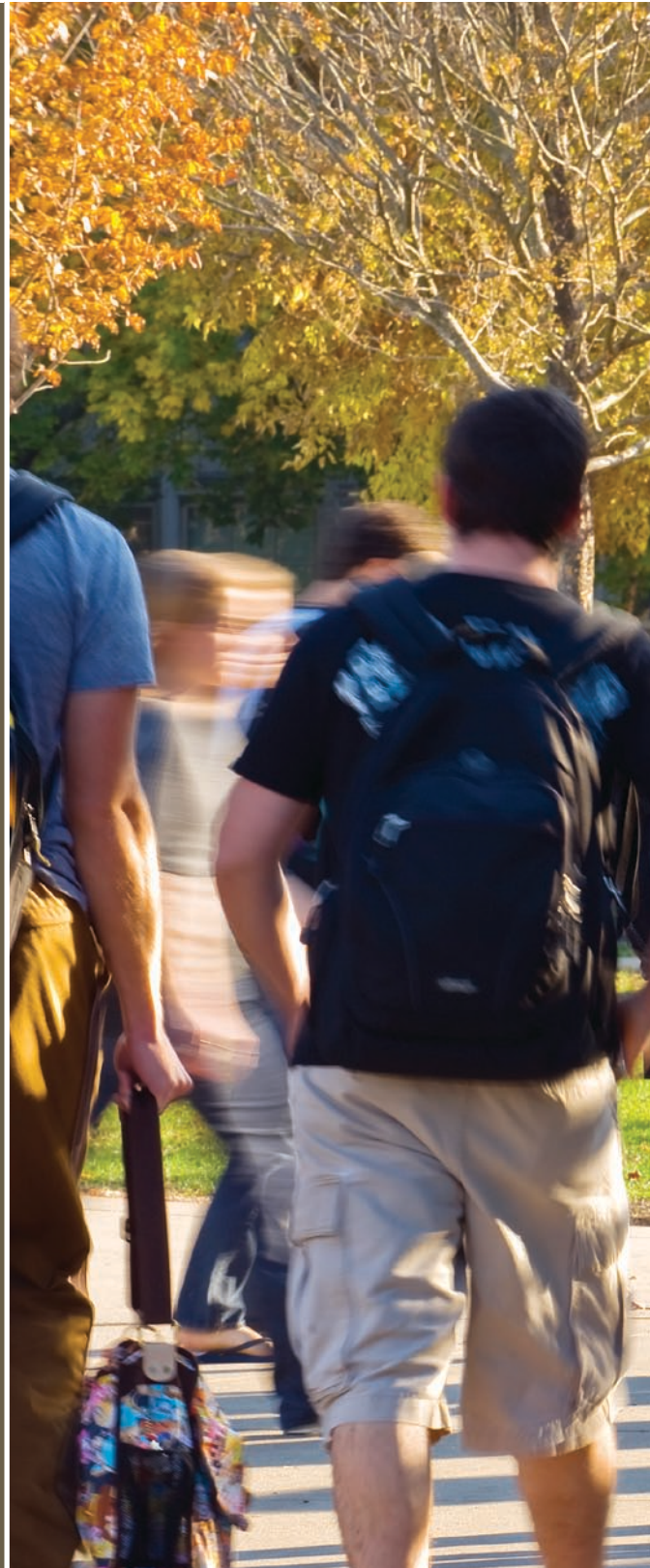




About the Cover Photo

Rev. Charles L. O'Donnell, C.S.C., President of the University from 1928 to 1934, commissioned M. Pierre de Chaignon la Rose, a leading authority on heraldry in the early 20th century, to create the University's shield, which he finished in 1931. The Cross represents the Congregation of Holy Cross, whose members founded and still administer the University. The open book is emblematic of an institution of learning, and the star represents Our Lady. The wavy lines at the bottom represent the two lakes on campus, which inspired the University's founding name, Notre Dame du Lac. The phrase *Vita, Dulcedo, Spes*, taken from the ancient prayer to the Virgin Mary, the "Salve Regina," means "our life, our sweetness, our hope."



University of Notre Dame

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Notre Dame's Enduring Mission Fuels Our Aspirations for Innovation

The University of Notre Dame has never before reached higher in its aspirations or anchored itself more firmly to its enduring strengths and principles.

The 2007–08 academic year witnessed an intensified energy on campus, seen in the faculty, staff, and students who are attracted to Notre Dame as a place for problem-solving and creative responses to today's challenges. The University is bolstering this surge by enhancing its infrastructure for innovation—as seen in an array of new buildings, programs, and investments. Our energy is directed by a sense of purpose that draws upon and supplements the wisdom of those who preceded us.

Our purpose is clear. We want to make a difference in the world by applying our particular gifts to some of the most vexing challenges in global health, economic and environmental stability, and justice and compassion befitting human dignity. As individuals and as a University, we want to offer the world distinctive models of leadership and solidarity for causes beyond self-interest.

Given these goals, where are we right now? Notre Dame is blessed with the people, resources, motivations, and initiatives that place us on the path to pre-eminence among research institutions. We have established positions, appropriated resources, and supported initiatives to encourage interdisciplinary collaborations on subjects ranging from nanotechnology to environmental sustainability to religious dialogue. As we have from the beginning, we also maintain our commitment to outstanding teaching and unparalleled experiences in undergraduate education.

We have established positions, appropriated resources, and supported initiatives to encourage interdisciplinary collaborations on subjects ranging from nanotechnology to environmental sustainability to religious dialogue.

In an atmosphere where faith and reason complement each other, stimulating robust inquiry that seeks answers for the common good, our pursuit of knowledge has a sense of direction. We were reminded in September 2007 that this has always been the case when Rev. Basil Moreau, founder of the Congregation of Holy Cross that administers Notre Dame, was beatified by the Catholic Church. Our celebration highlighted the hopefulness that marked his pedagogical vision to educate both the mind and the heart. Hope, which today's world craves, is central to the legacy we are stewarding.

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



New Deans Enhance Academic Enterprise →

Change is on the horizon for several of the University's colleges and schools, as they welcomed new leadership with the announcement of four new deans this past year. The 2007–08 academic year saw the installation of Peter Kilpatrick as dean of the College of Engineering. The coming year will bring new leadership for the College of Arts and Letters, the College of Science, and the Graduate School.



College of Science

Gregory Crawford is the William K. Warren Foundation Dean of the College of Science, succeeding Joseph Marino. Crawford, who had been dean of engineering at Brown University, was named to the College of Science position in March 2008.



College of Engineering

Peter Kilpatrick is the Matthew H. McCloskey Dean of the College of Engineering, succeeding Frank Incropera. Kilpatrick's appointment took effect in January 2008. He previously served as chair of chemical and biomolecular engineering at North Carolina State University.



College of Arts and Letters

John McGreevy, a member of the Class of 1986 and former department chair and professor of history at Notre Dame, was named the I. A. O'Shaughnessy Dean of the College of Arts and Letters in April 2008, succeeding Mark Roche.



Graduate School

Gregory Sterling was appointed dean of the Graduate School in June 2008. This newly created position is a result of the administrative restructuring of graduate education and research at Notre Dame. The new structure splits the former position of vice president for graduate studies and research into two posts reporting to the Provost.

Center for Social Concerns: 25 Years of Service Learning →

The Center for Social Concerns, committed to Notre Dame's mission to be a place where "learning becomes service to justice," celebrated its 25th anniversary in April 2008. As part of Notre Dame's Institute for Church Life, the Center is the University's driving force for community-based learning and research involving students, faculty fellows, representatives of neighborhood groups near South Bend, and a variety of people and organizations around the world.

APPROXIMATELY

80%

of all Notre Dame undergraduates become engaged in some form of service before graduation.



The celebration of the 25th anniversary included a talk by **Archbishop Diarmuid Martin** of Dublin, Ireland, on social solidarity. He is the former secretary of the Pontifical Council for Justice and Peace. The anniversary events also included a Mass and a groundbreaking ceremony for Geddes Hall, the new building for the Institute for Church Life, of which the Center is a part.



Nearly half of all Notre Dame students participate in the Center's community-based learning or research courses while at Notre Dame, and approximately 80 percent of all Notre Dame undergraduates become engaged in some form of service before graduation. Thanks in part to the local, national, and international experiences and opportunities for transformative learning obtained through the Center for Social Concerns, approximately 10 percent of the typical Notre Dame graduating class chooses to devote at least one year of their life to volunteer service.

10%

of the typical Notre Dame graduating class chooses to devote at least one year of their life to volunteer service.



New Initiatives Underscore Our Distinctive Vision



The 2007–08 academic year ushered in a number of important transitions and initiatives in the life of the academy.

New deans were named at four of the University’s seven colleges and schools (*see page 4*). These individuals with outstanding records of intellectual achievement and vigor, building upon the strong foundations forged by their predecessors, are committed to fostering fruitful collaborations among academic units and developing enhanced strategic plans. Their efforts, together with those of their faculty colleagues, will benefit students in the classroom, expand research opportunities, and touch the lives of people living in communities near and far.

Construction proceeded on buildings that will enhance teaching, scholarship, and service in academic pursuits ranging from engineering to the Institute for Church Life, from law to technology transfer.

The power of this vision may not be readily apparent in a simple listing of personnel changes or construction projects or planned expenditures. In one sense, the wisdom of this undertaking becomes known only when carefully planned and executed projects succeed in bringing Notre Dame's values and virtues alive for future generations.

- **Stinson-Remick Hall** will be a major resource for the College of Engineering, complete with an interdisciplinary learning center, opportunities for real-life exploration of environmental sustainability, and a world-class facility for performing research in the rapidly developing field of nanoscience.
- **The Eck Hall of Law** will provide additional classroom and office space for the Notre Dame Law School, whose original building will boast an expanded library and greatly improved space for law student services such as admissions and placement.
- **Innovation Park at Notre Dame** will be an incubator for new business enterprises aiming to commercialize intellectual property emerging from Notre Dame laboratories and offices.

Ambitious funding programs were launched to provide internal support to cutting-edge research initiatives and promising doctoral students. Teams of Notre Dame researchers proposed dozens of creative projects for \$40 million in first-phase, seed-money support from the new Strategic Academic Planning Committee, with the five most promising proposals ultimately receiving funding (*see page 10*).

Also in fiscal 2008, the Richard and Peggy Notebaert Premier Fellowships for graduate students were launched to help educate a next generation of outstanding scholars (*see page 24*).

These are only a few of the areas of transition where Notre Dame is implementing a distinctive vision—building a world-class research enterprise that is fully compatible with the University's founding vision, expressed by Rev. Edward Sorin, C.S.C., as “the cultivation of the heart as well as the mind.”

The power of this vision may not be readily apparent in a simple listing of personnel changes or construction projects or planned expenditures. In one sense, the wisdom of this undertaking becomes known only when carefully planned and executed projects succeed in bringing Notre Dame's values and virtues alive for future generations. But, in another sense, the worth of our endeavors is expressed every day in the lives of scholars and students who share a journey of inquiry, learning, and service with the extended Notre Dame family.

—
Thomas G. Burish
Provost

Funding of Strategic Initiatives Signals Commitment to Research →

In 2007–08, the University Board of Trustees approved an initial \$40 million of support for a first round of interdisciplinary research projects. The competition for this substantial new internal support was overseen by the Strategic Academic Planning Committee (SAPC), which ultimately selected five research proposals from 72 submissions.

These five proposals include initiatives in global health, advanced diagnostics and therapeutics for environmental and biomedical monitoring, nanotechnology alternatives to standard silicon-based transistor technology, a centralized facility for state-of-the-art imaging equipment, and a think tank fostering collaborations exploring ultimate questions and questions of value, especially as they engage Catholic intellectual tradition.

More research initiatives will be selected in the 2008–09 academic year, with an additional \$40 million of support to be awarded in 2009–10. These internal resources are on top of external grants and gifts. The University received \$86.9 million in external research awards during fiscal 2008.

\$86.9MILLION The University received \$86.9 million in external research awards during fiscal 2008.



These strategic research initiatives merge two or more disciplines to create truly integrated solutions to global challenges:

- Advanced Diagnostics and Therapeutics
- Genomics, Disease Ecology, and Global Health
- The Notre Dame Institute for Advanced Study
- The Notre Dame Integrated Imaging Facility
- The Notre Dame Nanoelectronics Research Initiative (ND*nano*)



LOOKING FORWARD An additional \$40 million has been allocated to fund more strategic research initiatives in the 2009–10 academic year.

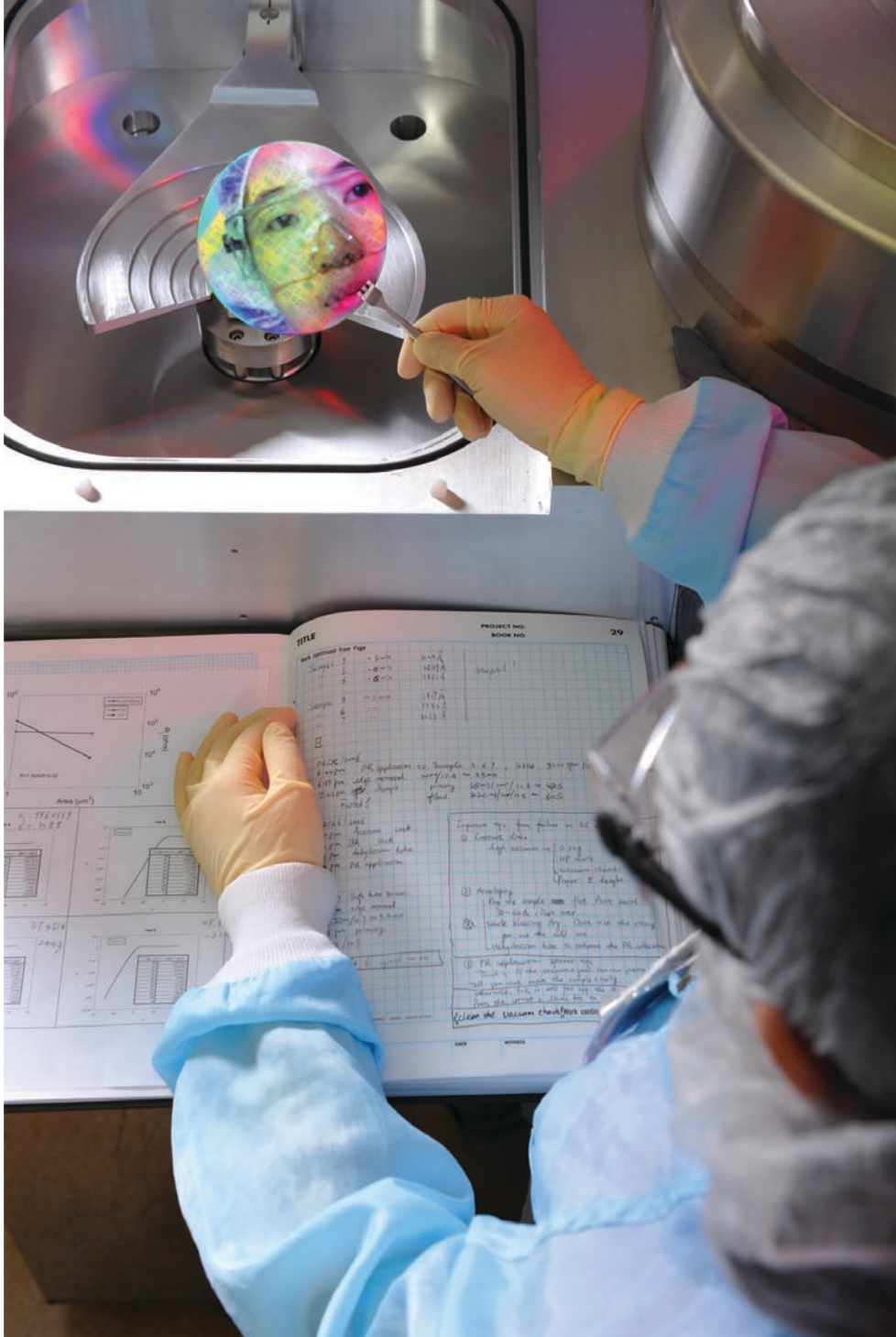
Nanoelectronics Institute and Innovation Park to Support Research and Discovery →

A new collaborative research effort headquartered at Notre Dame involving engineers and scientists from Notre Dame, Purdue, the universities of Illinois, Michigan, Texas-Dallas, and Penn State, as well as several national laboratories, was announced in March 2008. Notre Dame was one of 30 institutions that sought to lead the research unit, one of four regional centers established by the Nanoelectronics Research Initiative of the Semiconductor Research Corporation, a consortium of semiconductor manufacturers. Key to the University's successful bid was construction of its new state-of-the-art engineering building, Stinson-Remick Hall.

Called the Midwest Institute for Nanoelectronics Discovery (MIND), its funding sources are diverse, with Notre Dame serving as a leader. The addition of MIND to the current national Nanoelectronics Research Initiative brings the considerable research expertise of Midwestern universities and national laboratories to the effort to develop a new class of semiconductor materials and devices.

In fiscal 2008, the University also announced the development of Innovation Park at Notre Dame, a facility adjacent to campus that will serve as an incubator for high-technology businesses, many of which will be based on research performed at Notre Dame and having the potential to enter the commercial marketplace.

Situated on 12 acres of land directly adjacent to the University, Innovation Park will offer a dynamic environment that combines facilities with support services to create a technological business accelerator designed to help students and faculty, entrepreneurs, and researchers explore multiple pathways to bring their projects to life. Construction on the Park began in the summer of 2008, with the first phase scheduled for completion by the fall of 2009.



David Brenner, president and CEO of Innovation Park, at the Innovation Park site. According to Brenner, MIND's Notre Dame research team will conduct its research in the Stinson-Remick engineering building now under construction on campus, then send spinoff projects to Innovation Park to be developed as business applications.



In March 2008, Indiana **Governor Mitch Daniels** announced the establishment of the new MIND consortium aimed at developing the next class of semiconductor materials and devices.

Strong Financial Foundation Ensures Future Growth



Grounded in his bedrock faith in God, Rev. Edward Sorin, C.S.C., founded Notre Dame with unwavering confidence that education needed to impact both the hearts and minds of young people. Today the University remains committed to this goal as well as to embracing the emerging opportunities we have as a premier research institution.

Despite the current turbulent financial times and the increasing pressures on the affordability of a college education, fiscal 2008 resulted in another sound financial year for the University. Total net assets stand at \$7.4 billion, reflecting an increase of \$451 million from the prior year. That increase, driven in part by investment performance, resulted in a June 30, 2008, Endowment value of \$6.4 billion, which has positioned us well to take advantage of growth opportunities while adhering to our traditional fiscally conservative approach. Moreover, as a result of the continuing generosity of the Notre Dame family, the *Spirit of Notre Dame* campaign generated gifts of \$1.3 billion through fiscal 2008. Records were set in fiscal 2008 in cash received (\$289 million) and total pledges and gifts (\$383.3 million).

The University of Notre Dame was again awarded the strongest credit rating possible from Moody's Investors Services. Conservative use of debt, future capital projects fully funded in accordance with the Capital Project Funding Policy, strong unrestricted gift revenue, and prudent financial management all contributed to the University receiving this "Aaa" rating.



\$6.4

BILLION
endowment

\$7.4

BILLION
total net assets

\$80.8

MILLION
in capital
improvements

Overall, Notre Dame is experiencing an unprecedented period of growth, with opportunities to evolve in several new areas. To support our bold vision, the University will continue to seek new and diversified revenue sources. Additional research funding and growth will allow the University to continue to advance its mission, but we must do so without putting undue stress on the cost of tuition. This approach will ensure that a Notre Dame education remains affordable and accessible for future generations. Through prudent financial planning, a keen focus on our current goals, and preservation of the founding principles of Our Lady's University, we can fulfill our distinctive mission.

—
John F. Affleck-Graves
Executive Vice President

Despite the current turbulent financial times and the increasing pressures on the affordability of a college education, fiscal 2008 resulted in another sound financial year for the University.

Total Net Assets (2004–2008)

FISCAL YEARS ENDING JUNE 30

	2004	2005	2006	2007	2008
Dollars in Billions	\$4.05	\$4.63	\$5.57	\$6.96	\$7.41

Creating a Sustainable Campus →

Growing concern for the environment, continued growth of the campus, changes in the environmental regulatory climate, and volatile energy prices have brought a heightened focus on reducing the University's energy consumption and environmental impact. Several initiatives were enacted within the last year to address Notre Dame's desire to continue its growth as a premier research university while conserving resources for future generations:

- The Energy and Environmental Issues (E&EI) Committee was formed to broaden awareness of sustainability issues; find solutions to problems; engage all segments of the Notre Dame community, including faculty, students, staff, and administrators, in constructive activities; report on green initiatives to expand buy-in and participation; and advise University leadership about future eco-friendly opportunities.
- The Office of Sustainability was established at the beginning of calendar 2008, and a director with broad experience and imagination took the helm in May. This position will build institutional learning capacities to support continual improvement in building design and operations, landscaping, procurement, energy and water conservation, waste disposal and recycling, and provision of services.
- A Green Loan Fund has been created by the University, making \$2 million available to provide capital for environmental improvements in both campus buildings and operations.
- An inaugural Energy Week, established in October 2007 as an annual event, demonstrated electric vehicles, calculated individual CO₂ footprints, and modeled alternative fuel sources.
- A Green Summit brought together more than 150 faculty, staff, and students in late January 2008, featuring open discussions on energy and the environment. Groups brainstormed about next steps for recycling, green building design, community action, energy conservation, climate change, confronting our consumer culture, and designing courses for students.



Two Notre Dame students, junior Lourdes Long and sophomore Colleen Kelly, became inspirational members of the E&E committee. They put their aspirations into action through such programs as football game day recycling and the student club they cofounded, GreeND. They and fellow students established the program in the fall of 2007, and, with help from the committee, recycling containers—and recycling consciousness—have spread across campus.

“There were pockets of interest [in environmental and energy conservation] all across campus, but nothing was coordinated” until the E&E committee pulled together leaders of the constituencies, said Kelly. Long added that creating lasting change will require transforming the way that generations think and “the way that institutions operate.”

Ambitious Growth in Campus Infrastructure →



CLOCKWISE FROM TOP-LEFT: Geddes Hall, Stinson-Remick Hall, Eck Hall of Law, Wind Tunnel Research Facility
OPPOSITE: Construction of Duncan Hall

Construction projects at Notre Dame during the 2007–08 academic year varied widely and together told a story of growth in all of the University's areas of strength—teaching, research, and the unparalleled undergraduate experience of community.

The projects included the Eck Hall of Law, adjoining the original Law School building; Stinson-Remick Hall, a major new teaching facility for the College of Engineering; a unique research laboratory housing a \$3 million wind tunnel, a turbine facility, and other College of Engineering resources; Geddes Hall, the new home of the Institute for Church Life and the Center for Social Concerns; and new residence halls, one for men and one for women.



Statistical Highlights

ACADEMIC YEARS ENDING MAY

2008 2007 2006 2005 2004

Students

Undergraduate	8,371	8,352	8,275	8,332	8,311
Graduate and professional	3,362	3,251	3,142	3,147	3,104
Total fall enrollment	11,733	11,603	11,417	11,479	11,415

Undergraduate Admissions

Applications	14,508	12,798	11,316	11,490	12,095
Offers of admission	3,548	3,492	3,581	3,488	3,524
Enrolled	1,999	2,039	1,995	1,985	1,996
Selectivity ratio	24.5%	27.3%	31.6%	30.4%	29.1%
Matriculation ratio	56.3%	58.4%	55.7%	56.9%	56.6%

Degrees Conferred

Baccalaureate	2,087	2,073	2,072	2,167	2,052
Master's	901	828	848	862	940
First professional	196	195	182	206	176
Doctoral	185	159	160	133	149
Total degrees conferred	3,369	3,255	3,262	3,368	3,317

Undergraduate tuition rate	\$34,680	\$32,900	\$31,100	\$29,070	\$27,170
Percent increase over prior year	5.4%	5.8%	7.0%	7.0%	6.5%

Note: Table references are to the 2008 Fact Book





Spirit Campaign Continues to Break Records



Fiscal 2008 will be remembered as a historic year for Notre Dame fundraising, marked by unprecedented support for the *Spirit of Notre Dame* campaign. Once again, our alumni, parents, and friends have provided the resources to fuel the dreams and aspirations of this great University.

Of note were new records set for campaign gifts and pledges, cash received, and unrestricted giving. An extraordinary \$383.3 million in campaign gifts and pledges — including seven of \$10 million or more — brought *Spirit* to \$1.3 billion, or 87 percent of its \$1.5 billion goal. With three years remaining in the campaign, *Spirit* will turn its attention to those core needs, particularly financial aid, that lag behind the overall success of the campaign, as well as such emerging priorities as Innovation Park and increasingly vital interdisciplinary research initiatives that better the human condition.

Donors numbered 58,357 this year, and contributed \$289 million in cash — an all-time high, exceeding the record of \$215 million received in fiscal 2007. Essential to this achievement was the Notre Dame Annual Fund, which raised \$33.3 million in unrestricted gifts (\$2 million more than

58,357
total donors

\$289
MILLION
in total cash
received

Once again, our alumni, parents, and friends have provided the resources to fuel the dreams and aspirations of this great University.

last year). The stalwart of the Annual Fund, the 12,000-member-strong Sorin Society, set a new high with \$22.8 million in donations. And the President's Circle again showed fervent support for Father Jenkins' strategic initiatives with a record of its own: \$4.7 million.

Our undergraduate alumni — among the most loyal and generous in the nation — continued to exceed expectations with 47.2 percent contributing a total of \$119 million. Family support stayed strong, too, with non-alumni parents giving \$34.3 million.

Corporate and foundation partnerships are thriving, with fiscal 2008 bringing \$26.8 million in corporate support and \$53.1 million from foundations. Matching gifts have always been a standout for Notre Dame: In fiscal 2008, they increased to \$4.7 million, earning Notre Dame a number one ranking among all colleges and universities.

Finally, the Office of Gift Planning experienced an exceptional year, generating \$77.1 million in deferred gifts and pledges, including unrestricted bequests of \$10.7 million. A record \$31 million in gifts to charitable remainder trusts underscored

the importance of the December 2006 private letter ruling from the IRS, which permits trusts of this kind to be invested alongside the Notre Dame Endowment. As a service to our donors, the new Notre Dame Donor Advised Fund was launched this year. Donors contributed \$15.8 million of which \$7.9 million is available for University initiatives.

As we face a new economic reality, the selfless and unswerving devotion of our supporters takes on a special poignancy — and reaffirms our absolute commitment to stewarding our resources to the best possible effect. Together, we are fueling the dreams, not just of a university, but of the many countless students who come here to learn how to lead lives of faith, service, and meaning.

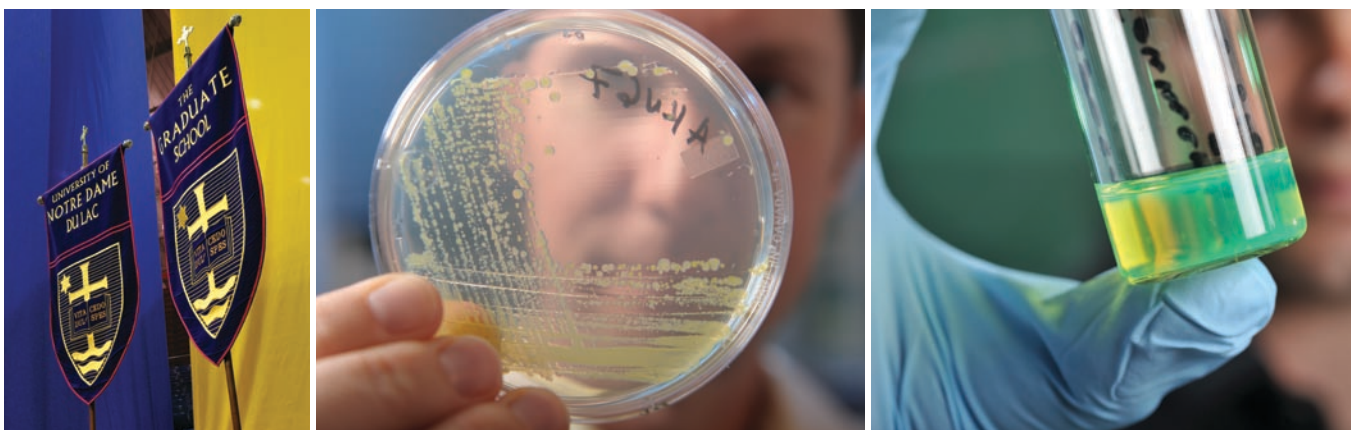
—
Louis M. Nanni
Vice President for University Relations

\$33.3
MILLION
in unrestricted gifts
to the Annual Fund

\$119
MILLION
in alumni
pledges

\$1.3
BILLION
in total campaign
gifts and pledges
to date

Premier Fellowships for Graduate Students →



A member of the Notre Dame Board of Trustees since 1997, **Richard Notebaert** became chair on July 1, 2007. He previously served as chair of the board's University Relations and Public Affairs and Communication Committee and continues his service as a Fellow of the University. Of the fellowship fund that he and wife Peggy have endowed, he says, "I know well the value of an advanced degree in our global economy and am pleased that our gift will make a difference in this area."



A \$10 million gift from the chair of the University's Board of Trustees to provide significant financial support to the most promising doctoral students was greeted by Rev. John I. Jenkins, C.S.C., as a "transformational" step in Notre Dame's commitment to build "one of the pre-eminent research institutions in the world."

The gift from the chair and his wife was announced in February 2008. The Richard and Peggy Notebaert Premier Fellowship program provides an immediate and unprecedented boost to graduate studies across the entire range of departments and fields in the Colleges of Arts and Letters, Science, and Engineering.

The fellowships will be awarded on a competitive basis to top doctoral prospects each year. They will provide up to six years of funding to cover full tuition, health insurance, and a stipend that is among the most generous in the nation. The University will match expenditures by the Notebaert Premier Fellowship Program on a one-to-one basis, thereby doubling the number of fellowships available.



Solid Investment Performance in Challenging Times

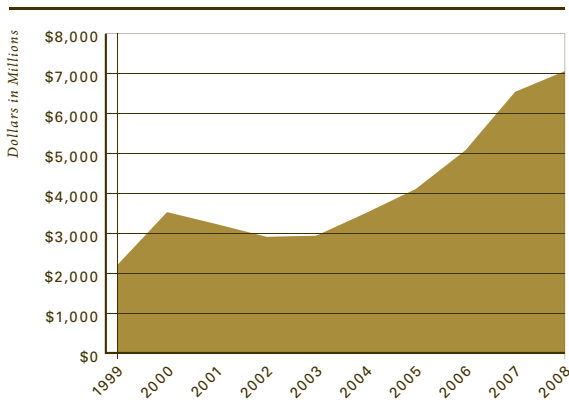


The Notre Dame Endowment Pool returned 5.8 percent net of investment management fees for the 2008 fiscal year, and ended the year with a market value of \$7.1 billion compared to \$6.5 billion at June 30, 2007. Just as the year began, the extreme dislocation in the credit markets initiated an extraordinary remaking of the capital markets that presented new challenges for investors worldwide. While Notre Dame's Strategic Policy Portfolio, our internal benchmark representing a passive index portfolio, had a slightly positive 0.8 percent return, the median institutional investor experienced a negative 4.4 percent return as represented by the TUCS Large Fund Median.

Public equity markets worldwide suffered significant declines during the year, with most major indices negative in double digits. Notre Dame's public equities portfolio was down to a much lesser extent due to the strong positive performance of long/short hedge funds. Other areas with strong returns that contributed to the year's success were commodities and energy in the real assets category, international private equity, and fixed income.

Endowment Pool Market Value (1999–2008)

FISCAL YEARS ENDING JUNE 30



Annualized Returns

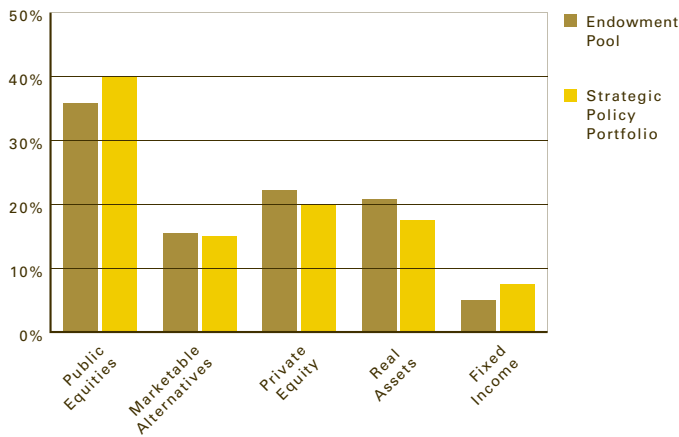
AS OF JUNE 30, 2008

	1 yr	3 yr	5 yr	10 yr
Notre Dame Endowment Pool	5.8%	16.7%	17.8%	13.5%
Strategic Policy Portfolio	0.8%	12.7%	13.8%	8.6%
TUCS Large Fund Median	-4.4%	7.4%	9.7%	6.1%

The Trust Universe Comparison Service (TUCS) 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.

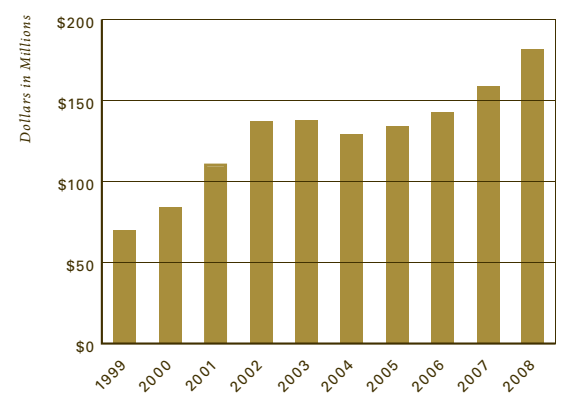
Asset Allocation

JUNE 30, 2008



Endowment Pool Spending (1999–2008)

FISCAL YEARS ENDING JUNE 30

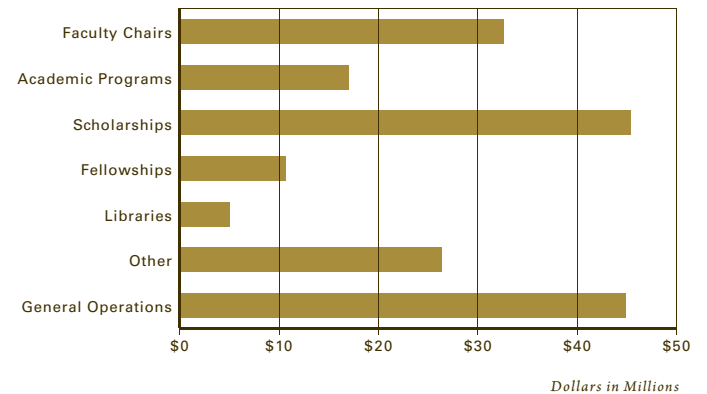


As shown in the accompanying chart, endowment pool spending in fiscal 2008 increased in excess of 14 percent, or \$23.0 million more than the prior year, rising to \$182.0 million. As has been the case at Notre Dame historically, the largest portion of spending was devoted to financial aid. Total spending over the 10 year period shown was \$1.29 billion.

As the remaking of the capital markets played out in dramatic fashion during the course of the year, we continued to look for new opportunities in the midst of the increasing volatility while adhering to our time-tested philosophies of diversification and engaging with the highest quality managers in the world. In these challenging times, the role of the Endowment in securing Notre Dame's future will only continue to increase.

Endowment Pool Spending Purposes

FISCAL YEAR ENDING JUNE 30, 2008



—
Scott C. Malpass

Vice President and Chief Investment Officer

Endowment Plays a Significant Role in Financial Aid →

Financial aid has been a top priority for Notre Dame for the last two decades, and since the 1999–2000 academic year, we have met the full demonstrated need of every student desiring a Notre Dame education. Our commitment to the future is equally strong. Within our current capital campaign—which is the largest in the history of Catholic higher education—undergraduate scholarship support represents our largest target goal (\$250 million).

Notre Dame Our Mother Scholarship Recipient

Pavielle Goldman is one of the first recipients of the Notre Dame Our Mother Scholarship. Launched in spring 2008 with the help of Rev. Theodore Hesburgh, C.S.C., these scholarships are made possible by members of the Notre Dame family, who donate what they can, from \$5 to \$100 to \$10,000. These monies provide immediate assistance to students in need, allowing them to pursue their dreams at Notre Dame.





The University's Endowment plays the most significant role in providing financial assistance to our students, and in fiscal 2008 more than one-third of Endowment spending was directed to scholarships and fellowships. A collection of several thousand individual fund accounts, the Endowment couples the resources from alumni gifts and other donations with prudent investment stewardship to support current and, importantly, future needs of the institution and its students.



University Highlights

University News

■ The 2007–08 academic year began with a community-wide celebration of Blessed Basil Anthony Moreau, founder of the Congregation of Holy Cross, who was beatified in a ceremony in Le Mans, France, in September. With his beatification, the Church has significantly advanced Father Moreau toward canonization, or the status of being officially and solemnly proclaimed a saint. Notre Dame was founded as a project of the Congregation of Holy Cross in 1842 and continues to rely on Father Moreau’s followers for its administration, inspiration, and communion in the Catholic Church. Rev. John I. Jenkins, C.S.C., led a delegation from the University to the beatification ceremonies in France, and an invitational Mass of Thanksgiving was held on campus as a statue of Father Moreau was blessed and installed in the northwest apsidal chapel of the Basilica of the Sacred Heart.

■ Notre Dame announced in spring 2008 an \$80 million commitment in internal financial resources in support of two phases of integrated research initiatives. The first phase, funded up to \$40 million, is for five initiatives, including two that reflect an exciting expansion of existing research strengths at the University—in nanoelectronics and global health—as well as one for advanced diagnostics and therapeutics through the use of micro-instrumentation; another for an imaging core facility that brings together a broad array of imaging instruments, services, and expert users; and one for a new multidisciplinary “think tank” to attract leading scholars who want to germinate research, scholarship, and creative thought in the humanistic and faith-based environment that is Notre Dame’s hallmark. The University has committed another \$40 million for a second round of proposals to be funded in the 2009–10 academic year.

■ A panel of government and religious leaders participated in the third annual Notre



Dozens of members of the Notre Dame community traveled to Le Mans, France, in September 2007 to join with other members of the Order of Holy Cross and its affiliates for beatification ceremonies honoring Basil Anthony Moreau.



The 2007 Notre Dame Forum on Immigration brought together national leaders, scholars, and students to discuss the challenges of illegal immigration in the United States.

Dame Forum in October. Titled “Immigration: A Notre Dame Forum,” the two-hour event drew some 3,000 students, faculty, staff, and others, and was moderated by Ray Suarez, senior correspondent for *The Newshour with Jim Lehrer*. Panelists were U.S. Senator Melquiades Rafael “Mel” Martinez, Roger Cardinal Mahony of Los Angeles, Governor Janet Napolitano of Arizona, and Mayor Louis J. Barletta of Hazleton, Pennsylvania.

■ Three new deans were appointed to Notre Dame colleges—Gregory P. Crawford, previously dean of engineering and professor of physics and engineering at Brown University, was appointed dean of the College of

Science in March 2008; John T. McGreevy, previously departmental chair and professor of history at Notre Dame, was appointed I. A. O’Shaughnessy Dean of the College of Arts and Letters in April 2008; and Peter Kilpatrick, previously chair of chemical and biomolecular engineering at North Carolina State University, was appointed dean of the College of Engineering in August 2007.

■ Gregory E. Sterling, previously executive associate dean in Notre Dame’s College of Arts and Letters and professor of theology, was appointed dean of the Notre Dame Graduate School in June 2008.



Both University and city officials attended the June 3 groundbreaking for Eddy Street Commons, a mixed-use development adjacent to the University.



Actor and social activist Martin Sheen was the recipient of the 2008 Laetare Medal, Notre Dame's highest honor, which annually recognizes the faith, life, and work of a Catholic who has made a profound contribution to "the heritage of humanity."

■ Indiana Governor Mitch Daniels, other state and local politicians, and University leaders announced in spring 2008 the establishment of the Midwest Institute for Nanoelectronics Discovery (MIND), a new research consortium led by Notre Dame and designed to discover and develop the next nanoscale logic device, which will be the basic building block of future computers. In collaboration with the Nanoelectronics Research Initiative of the Semiconductor Research Corporation and the support of the state of Indiana and city of South Bend, the MIND consortium also includes Purdue University, the University of Illinois, Penn State University, the University of Michigan, the University of Texas-Dallas, Argonne National Laboratory, the National Institute of Standards and Technology, and the National High Magnetic Field Laboratory.

■ Notre Dame joined forces with the city of South Bend and the regional economic development organization Project Future to develop Innovation Park, a technology incubator site immediately south of campus. David Brenner, an entrepreneurial executive with some 30 years of experience, was appointed director of the project. The first phase is expected to be completed by fall 2009.

■ Notre Dame and Kite Realty Group Trust closed in spring 2008 on the sale and lease of land adjacent to the southern boundary of the campus for the development of Eddy Street Commons. A mixed-use development under construction on the corner of Eddy Street and Angela Boulevard, the first phase of the 24-acre site will include apartments, retail, restaurant and office space, and a

structured parking garage. Future phases of the project include two proposed Marriott hotels as well as a variety of for-sale residential housing options.

■ Actor and human rights activist Martin Sheen was awarded Notre Dame's Laetare Medal for 2008. He received the medal, the oldest and most prestigious honor given to American Catholics, during the University's 163rd Commencement ceremony held in May. Theodore E. Cardinal McCarrick, archbishop emeritus of Washington, D.C., was the principal speaker and the recipient of an honorary doctor of laws degree at the ceremony.

■ Anna M. Thompson was appointed executive director of Notre Dame's Marie P. DeBartolo Performing Arts Center in July 2007, joining the University from the College of Saint Benedict and St. John's University, where she had served as executive director for fine arts programming.

■ Don Pope-Davis, professor of psychology and previously acting dean of the Graduate School, was elected vice president and associate provost by Notre Dame's Board of Trustees in July.

■ The master of business administration (MBA) program in the Mendoza College of Business was ranked No. 5 worldwide in the Aspen Institute's "Beyond Grey Pinstripes" survey that rates the top 30 business schools from among 600 full-time MBA programs.

■ The Mendoza College of Business was rated No. 3 by *BusinessWeek* magazine in

its third annual ranking of undergraduate business programs announced in February 2008. *BusinessWeek* also ranked the custom programs offered by Executive Education at the University 15th in its biennial survey of such programs worldwide. Notre Dame was among six programs that entered the rankings for the first time in 2007 and was the highest ranked school in the Midwest.

■ Rankings from the Center for College Affordability and Productivity featured in *Forbes* magazine in May 2008 placed Notre Dame 16th on the list of all national universities.

■ General Electric presented a \$500,000 in-kind product and services contribution to Notre Dame in association with a solar power system array and supporting infrastructure that will be incorporated into the University's new Stinson-Remick Hall of Engineering, which is scheduled for completion in 2009. The 142,000-square-foot facility will house a nanotechnology research center, the University's new Energy Center, an 11,800-square-foot semiconductor processing and device fabrication clean room, and an undergraduate interdisciplinary learning center. The solar panel system is projected to provide power of up to 55,000 kilowatt-hours annually.

■ The National Science Foundation acknowledged Notre Dame's growing influence as a resource for high school science teacher enrichment with a \$500,000 grant for continuing support of the Research Experience for

Teachers (RET) program. The three-year grant was awarded to Wolfgang Porod, Frank M. Freimann Professor of Electrical Engineering, and Alexander Hahn, professor of mathematics and director of the Kaneb Center for Teaching and Learning, to support RET@ND.

■ James M. Mazurek, previously a partner in the Chicago office of the international consulting firm Accenture, was appointed the first director of Notre Dame's new Office of Sustainability, leading the University's efforts to build institutional learning capabilities in support of continual improvement in building design and operations, landscaping, procurement, energy and water conservation, waste disposal, recycling, and service provision.

■ When it comes to job satisfaction, Notre Dame hits many of the right notes among its junior faculty members, according to a survey of tenure-track scholars released by the Harvard University-based Collaborative on Academic Careers in Higher Education. The University scored notably higher than similar institutions and achieved exemplary status in four categories related to policy effectiveness and nature of work in research, support services, and overall, according to the report that gauges the opinions of 7,000 junior faculty from 78 colleges and universities.

■ Building on its strong foundation of educating peace builders, Notre Dame established a doctoral program in peace studies in its Kroc Institute for International Peace Studies and began admitting students in fall 2008. The new program is made possible in part by a gift from 1953 Notre Dame alumnus John R. Mullen, chair of the Kroc Institute Advisory Council, and his family.



Early view of the new Stinson-Remick engineering facility, a 142,000-square-foot facility that will house a nanotechnology research center, the University's new Energy Center, an 11,800-square-foot semiconductor processing and device fabrication clean room, and an undergraduate interdisciplinary learning center.

■ The Kroc Institute received the 2008 "Blessed are the Peacemakers" Award from Catholic Theological Union, the largest Catholic graduate school of theology in North America, in recognition of its accomplishments and commitments in the areas of reconciliation, justice, and peacemaking.

■ Notre Dame moved up four spots on the 2008 list of medium-sized schools producing Peace Corps volunteers. With 23 alumni currently serving in the corps, the University is now ranked 17th on the list and is enjoying its fifth year in a row among the nation's top 25.

■ The American Council on Education named Notre Dame as an "Honor Roll with Distinction" member for the 2007 President's Higher Education Honor Roll in recognition of its support of innovative and effective community service and service-learning programs.

■ *Hispanic Magazine* ranked Notre Dame 13th on its 2008 list of "Top 25 Colleges for Latinos," the sixth year the University has made the list since its debut in 1999.



Game Day recycling took off in 2008, thanks to a program that was piloted successfully in the 2007 football season.

Research/ Scholarship/ Creativity

■ Anthropologist James J. McKenna, director of the University's Mother-Baby Behavioral Sleep Laboratory and a world-renowned expert on infant co-sleeping, breast-feeding, and sudden infant death syndrome (SIDS), is the author of a book titled *Sleeping With Your Baby: A Parent's Guide to Co-Sleeping*.

■ The Chemistry-Biochemistry-Biology Interface (CBBi) Program, which trains graduate students in an interdisciplinary environment at the interface of the three fields, received a \$1 million grant from the National Institutes of Health (NIH).

■ Stanford University Press published *With Our Labor and Sweat: Indigenous Women and the Formation of Colonial Society in Peru, 1550–1700*, a new book by associate professor of history Karen Graubart that examines the roles played by indigenous women in the early years of Spanish colonization of Peru.

■ George A. Lopez, Rev. Theodore M. Hesburgh, C.S.C., Professor of Peace Studies at Notre Dame's Kroc Institute for International Peace Studies, and David Cortright, research fellow at the Kroc Institute and president of the Fourth Freedom Forum, are the co-editors of a new book titled *Uniting Against Terror: Cooperative Nonmilitary Responses to the Global Terrorist Threat*.

■ Notre Dame and Purdue University researchers discussed their global health initiatives during a special event hosted by the Permanent Observer Mission of the Holy See to the United Nations and held in conjunction with the opening of the 62nd session of the United Nations General Assembly.

■ *In Search of the Good Life: A Pedagogy for Troubled Times*, by Fred Dallmayr, Packey J. Dee Professor of Political Science, was published by the University Press of Kentucky.

■ A new study by a team of researchers including biologist Jennifer Tank suggested that corn byproducts, such as pollen and crop detritus left behind after harvest, enter headwater systems draining agricultural land and are subject to storage, consumption, and transport to downstream water bodies. This would mean that the toxins engineered into these crops could affect insects outside the targeted area, thus causing environmental problems in the food chain.

■ John Borkowski, Andrew J. McKenna Professor of Psychology, is coprincipal investigator for a first-of-its-kind research project that creates an umbilical cord of sorts from vulnerable, low-income, single moms to family coaches via cell phones.

■ *Terrorism, Counterterrorism and the Ethics of Warfare*, a new audio program created and narrated by President Emeritus Rev. Edward A. Malloy, C.S.C., offers insights into the experience and aftermath of the Sept. 11, 2001, terrorist attacks on the United States from a Christian perspective.

■ Guillermo O'Donnell, Helen Kellogg Professor of Government and fellow of the Kellogg Institute for International Studies, published a book titled *Dissonances: Democratic Critiques of Democracy*, a collection of essays examining academic critiques of democracies.

■ A new study by Christian Smith, William R. Kenan Jr. Professor of Sociology and director of the Center for the Study of Religion and Society, found there is no evidence that Catholic teens feel any more guilt than other young people, that more observant Catholics feel more guilty than less observant ones, or that guilt-inducing behaviors affect Catholics more strongly than others.

■ The University of Hawaii Press published *Writing from These Roots*, a new book by associate professor of English John Duffy that documents the historical development of literacy in a midwestern American community of Laotian Hmong who came to the United States as refugees from the Vietnam War.

■ An international team headed by Notre Dame astrophysicist Peter Garnavich made a detailed study of the 234th supernova discovered in 2006, called "2006gz," and found convincing evidence that the explosion resulted from the merging of two "white dwarfs." The thermonuclear destruction of a white dwarf is called a type Ia supernova and was crucial in the discovery of the accelerating universe and dark energy.

■ Asma Afsaruddin, associate professor of Arabic and Islamic studies, is the author of a book titled *The First Muslims: History and Memory*, which explores how competing images of the earliest Muslims shape current Muslim discourses on critical issues.

■ A report released by the Center for Metropolitan Chicago Initiatives in Notre Dame's Institute for Latino Studies and the Metropolitan Mayors Caucus stated that promoting the integration of the Latino population in the

Chicago region capitalizes on its economic contributions, including 15 percent of the region's labor force, half of the growth in owner-occupied homes, and \$20 billion in household income.

■ A new project involving researchers in the Center for Flow Physics and Control represents Notre Dame's first foray into flight-test engineering, which is common in industry but rare at the university level. The aerodynamic group's mission is to understand how the turbulence around an aircraft affects light and laser transmissions and how turbulence-imposed distortions can be corrected.

■ *Representing Atrocity in Taiwan: The 2/28 Incident and White Terror in Fiction and Film*, a new book by Sylvia Lin, assistant professor of East Asian languages and cultures, examines how a 1947 anti-government uprising in northern Taiwan that resulted in the slaughter of some 20,000 citizens re-entered the public consciousness through literature and film.

■ Art historian Robin Rhodes, associate professor of art history, concurrent in classics, edited *The Acquisition and Exhibition of Classical Antiquities*, a collection of essays by eminent museum directors and curators, legal scholars, archaeologists, and historians and practitioners of art and architecture, that addresses some of the questions surrounding the buying and selling of antiquities.

■ When the space shuttle *Endeavour* launched on March 11, it carried with it a set of experiments designed and constructed in the laboratory of Dennis Jacobs, professor of chemistry and biochemistry, who also serves as a vice president and associate provost. The experiments were part of the Materials International Space Station Experiment (MISSE), a multi-institutional collaboration to explore how materials degrade in the low-earth orbit spacecraft environment.

■ Maxwell E. Johnson, professor of theology, is the author of a new book titled *The Rites of Christian Initiation: Their Evolution and Interpretation*, which draws on new translations of early texts on baptism, as well as recent scholarship on the early traditions, to provide a more comprehensive history and focused interpretation of the rites.

■ The University of Chicago Press published *Minority Report: Evaluating Equality in America*, a new book coauthored by political scientist John D. Griffin that is one of the first books to compare the representation of African Americans and Latinos to that of whites. The authors contend that congressional

decisions and federal policy tend to mirror the preferences of whites better than those of either minority group.

■ A new survey by Notre Dame's Center for the Study of Religion and Society and the Hudson Institute's Center for Global Prosperity found that U.S. congregations of all denominations are giving record amounts in relief and development assistance to poor countries. David Sikkink, associate professor of sociology and the center's director, points out that the new study is the first national random sample of U.S. religious giving to the developing world.

■ A new study by Rudolph M. Navari, director of Notre Dame's Walther Cancer Center, revealed that a novel combination of two drugs shows great promise in treating cancer-related anorexia and weight loss.

Faculty

■ Michael Detlefsen, professor of philosophy, was awarded a \$1.1 million senior Chaire d'Excellence from the French National Research Agency to support a four-year research project on the history and philosophy of mathematics.

■ Sociologist Lyn Spillman was inaugurated as chair of the American Sociological Association's Section on Culture.

■ Books by four faculty members were included in *One Hundred Great Catholic Books: From the Early Centuries to the Present* by Don Brophy. Notre Dame faculty authors cited were John Cardinal O'Hara Professor of Theology Rev. Gustavo Gutierrez, O.P., for his book *We Drink from Our Own Wells*; Alasdair MacIntyre, Rev. John O'Brien Senior Research Professor of Philosophy, for *After Virtue*; Rev. Richard P. McBrien, Crowley-O'Brien Professor of Roman Catholic Theology, for *Catholicism*; and Rev. John P. Meier, William K. Warren Foundation Chair in Theology, for *A Marginal Jew*.

■ Peter Burns, professor of engineering, was named one of the top 10 most cited authors in the field of geosciences for the period 1997–2006.

■ Associate professor of law Carter Snead was appointed to a four-year term as one of 36 independent experts on the International Bioethics Committee of the United Nations Educational, Scientific and Cultural Organization—the only forum in the United Nations system devoted to reflection on bioethics and public policy.

■ Paolo Carozza, associate professor of law, was elected chairman of the Inter-American Commission on Human Rights for 2008.

■ The invasive species research of David Lodge, biological sciences professor, was highlighted in a documentary shown at New York's American Museum of Natural History.

■ Francisco Aragón of the Institute for Latino Studies was awarded a grant from the National Association of Latino Art and Culture to organize *The Wind Shifts: New Latino Poetry on Tour*.

■ Political scientist Darren Davis was appointed to an ad hoc committee of the American Association for Public Opinion Research—the leading professional organization of public opinion and survey research professionals in the United States.

■ Professor of finance Jeff Bergstrand was recognized by the Research Papers in Economics project as one of the world's foremost experts in international trade.

■ The National Endowment for the Humanities awarded Notre Dame a four-to-one challenge grant of \$800,000 toward the development of a Byzantine studies program within the Medieval Institute.

Honors

■ Eight faculty members received research fellowships from the National Endowment for the Humanities (NEH) for 2008, bringing to 37 the number of NEH fellowships awarded to Notre Dame in the past nine years, more than any other university in the nation. This year's recipients were Joseph Amar, professor of classics and concurrent professor of theology; Sotirios Barber, professor of political science; Li Guo, associate professor of classics; Thomas A. Kselman, professor of history; Peter Martens, visiting assistant professor of theology; Christian Moevs, associate professor of Romance languages and literatures; Samuel Newlands, assistant professor of philosophy; and John Van Engen, Andrew V. Tackes Professor of History.

■ Astrophysicist Peter Garnavich was awarded a share of the 2007 Gruber Prize in Cosmology for his work on the High-Z Supernova Search Team's discovery of the accelerating universe. The discovery of an accelerating expansion of space radically transformed the standard model of cosmology and led to the idea that the universe is dominated by a mysterious dark energy.

■ *The Option for the Poor in Christian Theology*, edited by Rev. Daniel G. Groody, C.S.C., assistant professor of theology, received the Pax Christi USA 2007 Book Award during the organization's "Pursuit of Peace Celebration" held in Washington, D.C.

■ The National Association of Independent Colleges and Universities honored Rev. Theodore M. Hesburgh, C.S.C., President Emeritus, by selecting him as the 2008 recipient of the Henry Paley Memorial Award. The Paley Award recognizes an individual who, throughout his or her career, has unfailingly served the students and faculty of independent higher education.

■ Jeffrey W. Talley, associate professor of civil engineering and geological sciences, was promoted from the rank of colonel to brigadier general in the U.S. Army Reserves at a ceremony at Maxwell Air Force Base in Montgomery, Ala.

■ The 2007 Community of Christ International Peace Award was presented to Rev. Virgilio P. Elizondo, professor of pastoral and Hispanic theology and fellow of the Institute for Latino Studies, for his work in advocating full inclusion and justice for immigrants.

■ Kristin Shrader-Frechette, F. J. and H. M. O'Neill Professor of Philosophy and concurrent professor of biological sciences, was selected by *Catholic Digest* magazine as one of 12 "Heroes for America"—laypeople living or working in the United States who are performing exemplary work in the spirit of the Catholic faith. The magazine cited her work on behalf of environmental justice.

■ Gerald L. Bruns, William P. and Hazel B. White Professor of English, 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.

■ James L. Merz, Frank Freimann Professor of Engineering, and Shahriar Mobashery, Navari Family Professor of Life Sciences, were named fellows of the American Association for the Advancement of Science in honor of their efforts to advance science or its applications.

■ J. Nicholas Laneman, associate professor of electrical engineering, was named one of the 58 recipients of a Presidential Early Career Award for Scientists and Engineers and one of 20 honorees nominated by the National Science Foundation from among the grantees

of its Faculty Early Career Development program. He was honored in November at a ceremony at the White House.

■ The John Ben Snow Prize was presented to Kathryn Kerby-Fulton, Notre Dame Professor of English, by the North American Conference on British Studies for *Books Under Suspicion: Censorship and Tolerance of Revelatory Writing in Late Medieval England*, published in 2006 by Notre Dame Press. The prize recognizes the best book by a North American scholar in any field of British studies dealing with the period from the Middle Ages through the 18th century.

■ *Wolf Totem*, by Chinese author Jiang Rong, was awarded the inaugural 2007 Man Asian Literary Prize in its translation by Howard Goldblatt, research professor in the Department of East Asian Languages & Cultures.

■ The American Anthropological Association honored James J. McKenna, Rev. Edmund P. Joyce, C.S.C., Professor of Anthropology, with the 2008 Anthropology in Media Award in recognition of successful communication of anthropology to the general public through the media.

Students

■ Senior Brian Boyd and junior Rachel Miller received prestigious Honors Fellowships from the Intercollegiate Studies Institute.

■ Senior Andrea Laidman received national and state awards from Campus Compact, a coalition of college and university presidents.

■ A team of students—Will McLeod, Ryan Tatzel, and Danielle Truskowski, and 2007 graduate Michael Stacey—won the \$10,000 grand prize in the “Indiana Collegiate Idol” business competition.

■ Senior industrial design major Mallory McMorrow won the 2007 Mazda Design Challenge.

■ Junior Andrew Jason Manion and sophomore Eric Riedl won scholarships for the 2008–09 academic year from the Barry M. Goldwater Scholarship and Excellence in Education Foundation.

■ More than 200 students made public presentations on their undergraduate research, scholarship, and creative activity at Notre Dame’s first Undergraduate Scholars Conference.

■ Fourteen Notre Dame seniors were awarded postgraduate scholarships and fellowships from the National Science Foundation, Fulbright Educational Exchange Program, Mitchell Scholarship Program, and other national organizations.

■ James Hebbeler, a graduate student in philosophy, was awarded the prestigious Charlotte W. Newcombe Doctoral Dissertation Fellowship by the Woodrow Wilson National Fellowship Foundation.

■ Students involved in ND-8 raised \$35,000 for the Building Tomorrow organization to fund the construction of a primary school in the Wakiso district of Uganda.

Athletics

■ A remarkable run through the NCAA Tournament by the Notre Dame hockey team highlighted the year in athletics. The Irish icers finished the regular season with a record of 24-15-4 and were one of the final teams selected to the tournament. They then recorded three consecutive upsets over New Hampshire, Michigan State, and Michigan to reach the national championship game against Boston College. The Eagles prevailed in the finals, 4-1.

■ The men’s basketball team finished in a tie for second in the Big East Conference with a final record of 25-8 overall and 14-4 in league play, and advanced to the NCAA tournament for the second consecutive year and fifth time

in eight seasons. The team has won a school record 37 consecutive games in the Joyce Center, the second-longest home winning streak in the country.

■ Men’s basketball coach Mike Brey was named Big East Coach of the Year for a second straight time, and sophomore Luke Harangody was the conference Player of the Year.

■ The Notre Dame women’s basketball team had yet another outstanding season, reaching the Sweet 16, where it fell to eventual national champion Tennessee. The Irish were 25-9 overall, ranked 15th nationally, and qualified for the NCAA Tournament for the 13th straight season.

■ Both Irish soccer teams reached the NCAA tournament—the women advancing to the semifinals and the men reaching the quarterfinals.



After starting 3-4-1, the Irish women’s soccer team won their last 10 regular season games before winning two postseason games to reach the finals of the Big East tournament.

■ The combined men's and women's fencing team finished as the national runner-up.

■ Notre Dame finished 21st in the annual United States Sports Academy Directors' Cup all-sports competition.

■ John B. "Jack" Swarbrick Jr., a Notre Dame graduate, nationally known lawyer, consultant, and executive in the collegiate and Olympic sports industries, was appointed as the University's 12th director of athletics, succeeding Kevin White. Swarbrick is a 1976 *magna cum laude* graduate of Notre Dame with a bachelor's degree in economics. He earned his law degree from Stanford Law School in 1980 and had been a partner in the Indianapolis law firm Baker & Daniels since 1987. As a member of the Indiana Sports Corp., including the chairmanship from 1992 to 2001, he led many of Indianapolis' successful proposals to host the Super Bowl, NCAA and Big Ten Conference basketball tournament games, the Pan American Games, and a variety of other Olympic sports competitions.

■ Notre Dame ranks No. 1 in the country in terms of graduating its student-athletes, according to statistics released by the NCAA. The Graduation Success Rate for all student-athletes is 98 percent at Notre Dame, which ties for first nationally with Northwestern University and the U.S. Naval Academy.

■ The Notre Dame softball team moved into a new venue—Melissa Cook Stadium, named in memory of a former player whose family donated funds to underwrite construction of the facility.

■ The University and NBC Sports reached agreement on a new five-year contract giving NBC the rights to televise Irish home football games from 2011 to 2015, which will extend the partnership between Notre Dame and the network to 25 years.



Jack Swarbrick succeeded Kevin White, who stepped down in January 2008, to become Notre Dame's 12th Athletic Director.



Opening ceremonies for the new Melissa Cook softball stadium were conducted on April 12, 2008, with the women's softball team earning a split in a double header against Villanova.



The Notre Dame men's and women's fencing teams combined to finish second at the 2008 NCAA Championships in Columbus, Ohio.

UNIVERSITY OF NOTRE DAME DU LAC

**Consolidated Financial Statements
for the years ended
June 30, 2008 and 2007**

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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, 2008 and 2007, 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 Post-retirement Benefit Plans" at June 30, 2007 and changed its method of accounting for pension and other postretirement benefit obligations.



Chicago, Illinois

November 24, 2008

Consolidated Statements of Financial Position

(IN THOUSANDS)

	AS OF JUNE 30	
	2008	2007
Assets		
Cash and cash equivalents	\$ 41,957	\$ 55,616
Accounts receivable, net	34,811	33,499
Deferred charges and other assets	30,675	31,307
Contributions receivable, net	187,854	146,037
Notes receivable, principally for student loans, net	31,346	29,586
Investments	7,233,718	6,723,863
Land, buildings and equipment, net of accumulated depreciation	907,400	851,571
Total assets	\$ 8,467,761	\$ 7,871,479
Liabilities		
Accounts payable	\$ 12,965	\$ 12,808
Commercial paper	94,810	40,000
Refundable advances	16,810	18,853
Deferred revenue	64,685	75,107
Deposits and other liabilities	73,713	64,405
Liabilities associated with investments	196,011	148,792
Obligations under split-interest agreements	59,286	37,081
Bonds and notes payable	411,405	391,425
Conditional asset retirement obligations	21,031	20,280
Pension and other postretirement benefits	79,030	76,057
Government advances for student loans	29,391	28,905
Total liabilities	1,059,137	913,713
Net Assets		
Unrestricted:		
Undesignated	31,419	44,044
Designated for specific purposes	193,844	243,821
Invested in land, buildings and equipment	489,797	451,746
Funds functioning as endowment	3,238,495	3,032,314
Total unrestricted	3,953,555	3,771,925
Temporarily restricted	2,286,720	2,150,191
Permanently restricted	1,168,349	1,035,650
Total net assets	7,408,624	6,957,766
Total liabilities and net assets	\$ 8,467,761	\$ 7,871,479

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unrestricted Net Assets

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2008	2007
Operating Revenues and Other Additions		
Tuition and fees	\$ 382,132	\$ 358,117
Less: Tuition scholarships and fellowships	(131,656)	(122,803)
Net tuition and fees	250,476	235,314
Grants and contracts	76,681	75,413
Contributions	43,654	40,966
Investment return distributed	95,029	80,600
Sales and services of auxiliary enterprises	178,687	176,164
Other sources	44,410	43,163
Total operating revenues	688,937	651,620
Net assets released from restrictions	92,628	85,592
Total operating revenues and other additions	781,565	737,212
Operating Expenses		
Instruction	276,132	251,143
Research	69,673	65,494
Public service	16,175	14,329
Academic support	44,816	45,416
Student activities and services	28,934	27,508
General administration and support	149,531	136,515
Auxiliary enterprises	144,934	139,635
Total operating expenses	730,195	680,040
Increase in unrestricted net assets from operations	51,370	57,172
Non-Operating Changes in Unrestricted Net Assets		
Contributions	8,997	2,974
Investment return:		
Investment income	22,914	55,530
Net gain on investments	176,542	664,923
Less: Investment return distributed	(95,029)	(80,600)
	104,427	639,853
Net loss on other financial instruments	(12,350)	(848)
Net assets released from restrictions	27,458	129,657
Cumulative effect of change in accounting principle	-	(21,776)
Net pension and postretirement benefits-related changes other than net periodic benefits costs	1,227	-
Other non-operating changes	501	6,537
Increase in unrestricted net assets from non-operating activities	130,260	756,397
Increase in unrestricted net assets	\$ 181,630	\$ 813,569

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2008	2007
Unrestricted Net Assets		
Operating revenues and other additions	\$ 781,565	\$ 737,212
Operating expenses	(730,195)	(680,040)
Increase in unrestricted net assets from operations	51,370	57,172
Increase in unrestricted net assets from non-operating activities	130,260	756,397
Increase in unrestricted net assets	181,630	813,569
Temporarily Restricted Net Assets		
Contributions	80,983	77,506
Investment income	18,519	44,256
Net gain on investments	149,031	547,271
Change in value of split-interest agreements	184	1,700
Net assets released from restrictions	(120,086)	(215,249)
Other changes in temporarily restricted net assets	7,898	4,944
Increase in temporarily restricted net assets	136,529	460,428
Permanently Restricted Net Assets		
Contributions	138,393	115,143
Investment income	1,027	2,214
Net gain on investments	73	993
Change in value of split-interest agreements	286	2,283
Other changes in permanently restricted net assets	(7,080)	(3,449)
Increase in permanently restricted net assets	132,699	117,184
Increase in net assets	450,858	1,391,181
Net assets at beginning of year	6,957,766	5,566,585
Net assets at end of year	\$ 7,408,624	\$ 6,957,766

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(IN THOUSANDS)

YEARS ENDED JUNE 30

	2008	2007
Cash Flows from Operating Activities		
Increase in net assets	\$ 450,858	\$ 1,391,181
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	39,017	37,042
Cumulative effect of change in accounting principle	-	21,776
Carrying value of disposed land, buildings and equipment	2,296	3,069
Change in obligations under split-interest agreements	22,205	11,208
Change in conditional asset retirement obligations	751	799
Change in pension and other postretirement benefits	2,973	2,533
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(680)	(10,625)
Contributions receivable	(41,817)	(38,707)
Accounts payable, refundable advances, deferred revenue, and deposits and other liabilities	(3,000)	5,624
Contributions for investments and physical facilities	(76,423)	(69,352)
Contributed securities	(89,001)	(76,078)
Investment income restricted for reinvestment	(1,027)	(2,214)
Net gain on investments	(325,646)	(1,213,187)
Other, net	2,008	755
Net cash provided (used) by operating activities	(17,486)	63,824
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	2,741,461	3,600,212
Purchases of investments	(2,833,473)	(3,727,756)
Purchases of land, buildings and equipment	(97,065)	(55,306)
Student loans granted	(5,614)	(5,852)
Student loans repaid	3,793	6,340
Other changes in notes receivable	61	(8)
Net cash used by investing activities	(190,837)	(182,370)
Cash Flows from Financing Activities		
Contributions for investments and physical facilities	76,423	69,352
Investment income restricted for reinvestment	1,027	2,214
Net proceeds from commercial paper issued	54,810	19,000
Proceeds from bonds issued	75,000	-
Repayment of bonds and notes	(55,020)	(940)
Government advances for student loans	486	622
Net cash accepted for investment on behalf of religious affiliate	41,938	45,623
Net cash provided by financing activities	194,664	135,871
Net change in cash and cash equivalents	(13,659)	17,325
Cash and cash equivalents at beginning of year	55,616	38,291
Cash and cash equivalents at end of year	\$ 41,957	\$ 55,616
Supplemental Data		
Interest paid	\$ 15,784	\$ 14,660
Noncash investing and financing activities:		
Assets acquired with note payable	\$ -	\$ 100

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

Unrestricted Net Assets — Net assets not subject to donor-imposed restrictions and available for any purpose consistent with the University’s mission. Revenues are generally reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by unrestricted funds functioning as endowment and other sources are classified as changes in unrestricted net assets. Operating expenses are reported as decreases in unrestricted net assets.

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. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets. Subject to the University’s endowment spending policy and any restrictions on use imposed by donors, accumulated investment returns on donor-restricted endowments are generally available for appropriation to support operational needs. Temporarily 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.

Permanently Restricted Net Assets — Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the University. Permanently restricted net assets are generally restricted to long-term investment and are comprised primarily of donor-restricted endowment funds. The University classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

The University’s measure of operations 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 restriction. Operating expenses are reported by functional categories, after allocating costs for operations and maintenance of plant, interest on indebtedness and depreciation.

Non-operating activities presented in the consolidated statements of changes in unrestricted net assets include 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, and other activities considered to be more of an unusual or non-recurring nature. Non-operating net assets released from restrictions includes accumulated endowment appreciation deemed expended, as well as restricted net assets expended for land, buildings and equipment.

Grants and Contracts

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.

Contributions Receivable

Contributions include unconditional promises to give that are recognized as revenues — either temporarily restricted or permanently restricted — in the period such promises are made by donors. Contributions recognized under such commitments are recorded at a discount based on a U.S. Treasury rate commensurate with the donor's payment plan in the period the promise is initially recognized. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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, intercollegiate athletics and college stores. Auxiliary enterprise revenues and related 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 fiscal year. The fair value of 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.

Conditional Asset Retirement Obligations

The University recognizes asset retirement obligations when incurred. A discounting technique is used to calculate the present value of the capitalized asset retirement costs and the related obligation. Asset retirement costs are depreciated over the estimated remaining useful life of the related asset and the asset retirement obligation is accreted annually to the current present value. Upon settlement of an obligation, any difference between the retirement obligation and the cost to settle is recognized as a gain or loss in the consolidated 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. Contribution 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. Estimated future payments to beneficiaries are discounted at an applicable federal rate.

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 exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except to the extent the University generates unrelated business income.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation, including reclassifying contributed securities from operating and financing activities to investing activities in the statement of cash flows.

Note 2. Accounts And Notes Receivable

At June 30, 2008, accounts and notes receivable are stated net of allowances of \$686,000 and \$1,103,000, respectively. At June 30, 2007, these allowances were \$672,000 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):

	2008		2007
Unconditional promises expected to be collected in:			
Less than one year	\$ 50,787	\$	50,380
One year to five years	143,190		99,331
More than five years	93,299		81,600
	<u>287,276</u>		<u>231,311</u>
Less:			
Unamortized discount	67,326		57,916
Allowance for uncollectible amounts	32,096		27,358
	<u>99,422</u>		<u>85,274</u>
	<u>\$ 187,854</u>	<u>\$</u>	<u>146,037</u>

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

	2008		2007
Temporarily restricted for:			
Operating purposes	\$ 18,677	\$	18,704
Investment in land, buildings and equipment	43,010		38,116
Funds functioning as endowment	8,111		10,409
	<u>69,798</u>		<u>67,229</u>
Permanently restricted for endowment	118,056		78,808
	<u>\$ 187,854</u>	<u>\$</u>	<u>146,037</u>

Contributions receivable are discounted at rates ranging from 2.06 percent to 6.59 percent at June 30, 2008.

At June 30, 2008, the University had received documented conditional pledges of \$58,500,000 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):

	NOTRE DAME ENDOWMENT POOL		OTHER INVESTMENTS		2008 TOTAL		2007 TOTAL
Endowment and funds functioning as endowment	\$ 6,129,709	\$	51,302	\$	6,181,011	\$	5,903,387
Working capital and other assets	731,930		34,686		766,616		610,881
Student loan funds	5,274		-		5,274		5,025
Split-interest agreements	76,407		9,664		86,071		59,164
Investments held on behalf of:							
Defined benefit pension plan	-		95,349		95,349		92,573
Revocable charitable trusts	-		3,191		3,191		3,964
Religious affiliate	96,206		-		96,206		48,869
	<u>\$ 7,039,526</u>	<u>\$</u>	<u>194,192</u>	<u>\$</u>	<u>7,233,718</u>	<u>\$</u>	<u>6,723,863</u>

Investments totaling \$7.0 billion at June 30, 2008, and \$6.5 billion at June 30, 2007 are pooled on a market value basis with each participating fund owning units in the Notre Dame Endowment Pool (“NDEP”). 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 NDEP to comply with donor requirements or other considerations.

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

Investment assets at fair value are summarized as follows at June 30 (in thousands):

	NOTRE DAME ENDOWMENT POOL		OTHER INVESTMENTS		2008 TOTAL		2007 TOTAL	
Short-term investments	\$	144,626	\$	18,884	\$	163,510	\$	270,088
Public equities:								
U.S.		573,756		68,608		642,364		649,837
Non-U.S.		865,654		16,673		882,327		1,223,242
Long/short strategies		1,112,741		-		1,112,741		935,727
Fixed income securities		308,772		29,349		338,121		274,298
Marketable alternatives		1,086,042		42,848		1,128,890		1,088,170
Private equity		1,545,118		6,343		1,551,461		1,210,997
Real estate		509,005		1,891		510,896		415,342
Other real assets		893,812		9,596		903,408		656,162
	\$	7,039,526	\$	194,192	\$	7,233,718	\$	6,723,863

Short-term investments held in the NDEP consist primarily of cash equivalents held by external investment managers. Short-term investments held outside the NDEP include \$14,833,000 and \$11,880,000 in unexpended proceeds from St. Joseph County Educational Facilities Revenue Bonds at June 30, 2008, and 2007, 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 as calls are exercised. At June 30, 2008, uncalled commitments approximated \$2.8 billion. Such commitments are generally called over a period of years and are subject to fixed expiration dates not to exceed December 31, 2018, or other means of termination. The timing of calls may vary based on the capital requirements of the respective managers. The University advanced \$1,050,000,000 and \$850,000,000 to external managers in response to capital calls during the years ended June 30, 2008 and 2007, respectively. This funding represents the fulfillment of capital commitments under contracts entered into in prior periods, as well as those arising from new contracts entered into during the respective years.

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 and futures 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 manages its risk utilizing forward foreign currency exchange contracts.

Investment Return

Investment return for the years ended June 30, 2008, and 2007, comprises the following (in thousands):

	2008		2007	
Investment income, net	\$	42,460	\$	102,000
Realized gains, net		488,539		468,954
Unrealized gains/(losses), net		(162,893)		744,233
	\$	<u>368,106</u>	\$	<u>1,315,187</u>

Investment income is reported net of related expenses of \$26,497,000 and \$20,446,000 for the years ended June 30, 2008, and 2007, respectively. Investment-related expenses consist primarily of fees paid to 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 as follows for the years ended June 30 (in thousands):

	UNRESTRICTED		TEMPORARILY RESTRICTED		2008 TOTAL		2007 TOTAL	
Endowment and funds functioning as endowment	\$	82,430	\$	82,676	\$	165,106	\$	135,956
Working capital and other sources		12,599		-		12,599		18,411
	\$	<u>95,029</u>	\$	<u>82,676</u>	\$	<u>177,705</u>	\$	<u>154,367</u>

Liabilities Associated With Investments

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

	2008		2007	
Forward foreign exchange contracts payable	\$	1,265	\$	3,386
Fair value of investments held on behalf of:				
Defined benefit pension plan		95,349		92,573
Revocable charitable trusts		3,191		3,964
Religious affiliate		96,206		48,869
		<u>194,746</u>		<u>145,406</u>
	\$	<u>196,011</u>	\$	<u>148,792</u>

Subsequent Events

The fair value of the University's investments declined subsequent to June 30, 2008 as a result of significant declines in financial markets globally.

Note 5. Land, Buildings and Equipment

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

	2008	2007
Land and land improvements	\$ 91,357	\$ 82,055
Buildings	927,112	903,369
Equipment	205,019	195,783
Construction in progress	79,641	28,548
	<hr/> 1,303,129	<hr/> 1,209,755
Less: Accumulated depreciation	395,729	358,184
	<hr/> <hr/> \$ 907,400	<hr/> <hr/> \$ 851,571

Depreciation expense was \$39,017,000 and \$37,042,000 for the years ended June 30, 2008, and 2007, respectively. The University has commitments to expend approximately \$126,000,000 to complete various construction projects as of June 30, 2008.

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

	2008	2007
Conditional asset retirement obligations at beginning of year	\$ 20,280	\$ 19,481
Obligations settled	(504)	-
Accretion expense	676	799
Revisions in estimated cash flows	579	-
Conditional asset retirement obligations at end of year	<hr/> \$ 21,031	<hr/> \$ 20,280

Note 6. Bonds and Notes Payable

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

	2008	2007
<i>Obligations of the University</i>		
St. Joseph County, Indiana, Educational Facilities Revenue Bonds:		
Series 2007, bearing interest at a variable rate (1.25 percent currently) through 2042	\$ 75,000	\$ -
Series 2005, bearing interest at a variable rate (1.25 percent currently) through 2040	185,000	185,000
Series 2003, bearing interest at a variable rate (1.2 percent currently) through 2038	59,495	65,000
Series 1998, bearing interest at a variable rate (1.2 percent currently) through 2033	43,000	43,000
Series 1997, bearing interest at 5.0 percent to 5.25 percent through 2027, refunded by Series 2007 bonds	-	26,770
Series 1996, bearing interest at 6.5 percent through 2026	7,890	7,890
Indiana Educational Facilities Authority Revenue Bonds:		
Series 1997, bearing interest at 5.25 percent through 2025, refunded by Series 2007 St. Joseph County bonds	-	22,655
Notre Dame du Lac Dormitory Refunding and Construction Bonds		
bearing interest at 3.0 percent through 2018	1,020	1,110
	<hr/> 371,405	<hr/> 351,425
<i>Obligation of majority-owned limited liability corporation</i>		
Mortgage note payable, bearing interest at 5.68 percent through 2016	40,000	40,000
	<hr/> <hr/> \$ 411,405	<hr/> <hr/> \$ 391,425

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

	2008
2009	\$ 2,692
2010	2,917
2011	3,053
2012	3,252
2013	3,208
Thereafter	396,283
	<u>\$ 411,405</u>

Notre Dame du Lac Dormitory Refunding and Construction Bonds are collateralized by the facilities to which they relate. St. Joseph County Educational Facilities Revenue Bonds represent general obligations of the University and are not collateralized by the related facilities. Proceeds of \$14,833,000 from the Series 2007 St. Joseph County Educational Facilities Revenue Bonds were unexpended as of June 30, 2008. Unexpended proceeds of \$11,880,000 from the Series 2005 St. Joseph County Educational Facilities Revenue Bonds at June 30, 2007 were fully expended during the fiscal year ended June 30, 2008.

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 percent, due in 2016. The note is not a general obligation of the University and 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, 2008 and 2007.

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 equal to 67 percent or 70 percent of the London Interbank Offer Rate (LIBOR) on total notional amounts of \$152,525,000. The estimated fair value of interest rate swaps was a net unrealized loss position of \$17,651,000 and \$3,256,000 at June 30, 2008 and 2007, respectively. The University paid periodic net settlements of \$2,219,000 and \$1,342,000 to counterparties pursuant to interest rate swaps during the years ended June 30, 2008 and 2007, respectively.

The University maintains standby credit facilities with commercial banks to provide alternative liquidity to support the repurchase of tendered variable rate bonds in the event they are unable to be remarketed. Financing obtained through standby credit facilities to fund the repurchase of such bonds would bear interest rates and maturities different from those associated with the original bond issues.

The University maintains a commercial paper program under which it may issue either standard or extendible municipal commercial paper through St. Joseph County, Indiana on behalf of the University. Standard municipal commercial paper issues are supported by a \$100,000,000 standby credit facility with a major commercial bank. As such, outstanding standard issues are limited to \$100,000,000. Subject to the limit on standard municipal issues, aggregate outstanding commercial paper issues are limited to \$200,000,000. Interest on commercial paper may be either taxable or tax-exempt to investors, depending on the University's intended use of the proceeds. Commercial paper issued to finance the purchase of equipment and improvements to educational facilities is tax-exempt, while those issues that provide funding for operations are subject to taxation. Standard taxable issues in the amount of \$94,810,000 and \$40,000,000 were outstanding at June 30, 2008 and June 30, 2007, respectively.

Total interest costs incurred by the University were \$15,001,000 and \$14,172,000, respectively, for the years ended June 30, 2008 and 2007, respectively.

The University maintains an unsecured line of credit in the amount of \$100,000,000 with a major commercial bank to be used primarily for working capital purposes. On March 14, 2008 the line of credit agreement was amended, extending the termination date to March 26, 2009. The line of credit had no outstanding balance as of June 30, 2008 and 2007.

Subsequent Events

Subsequent to June 30, 2008, the University converted \$75,000,000 of the Series 2005 St. Joseph County bond issue from a variable rate to a fixed rate of 3.875 percent through February 29, 2012. The balance of the Series 2005 bonds will remain outstanding bearing a variable rate of interest. In addition, the University entered into an interest rate swap agreement with a notional amount of \$35,700,000 to effectively fix the rate on a portion of previously unhedged variable rate bonds. Under the terms of the swap, the University will pay a fixed rate of 2.418 percent and receive a variable rate of 70 percent of LIBOR.

The University also secured an additional commercial bank line of credit subsequent to June 30, 2008 in the amount of \$25,000,000 to be used primarily for working capital purposes. The expiration of this new facility is October 28, 2009.

Note 7. Pension and Other Retirement Plans

Defined Contribution Retirement Savings Plan

Faculty and certain administrative employees who have completed one year of service at the University are eligible to participate in the defined contribution retirement savings plan. The plan, operated under section 403(b) of the Internal Revenue Code, provides eligible employees with retirement benefits funded by mandatory employee contributions and University matching contributions. All faculty, administrators and staff may also participate in a supplemental defined contribution retirement savings plan, which provides employees the opportunity to make additional contributions up to the legal IRS annual limit. Participants in these plans 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. Participants are immediately vested in the plan. The University's share of the cost of these benefits was \$19,251,000 and \$17,523,000 for the years ended June 30, 2008, and 2007, respectively.

Defined Benefit Pension Plan

Retirement benefits are provided for University staff under a defined benefit pension plan, for which the University serves as trustee and administrator. This plan provides benefits for certain administrators and staff after one year of qualifying service. Retirement benefits are based on the employee's total years of service and final average pay as defined by the plan. Plan participants are fully vested after five years of service. The University funds the plan with annual contributions that meet ERISA minimum requirements.

At June 30, 2007, the University adopted the provisions of SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans," which requires the recognition of the full funded status of defined benefit pension plans in the statement of financial position. Accordingly, the liability for pension benefits as recognized in the consolidated statements of financial position represents the excess of the actuarially determined projected benefit obligation ("PBO") over the fair value of plan assets at year end.

As a result of adopting SFAS 158, the University 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. The components of the cumulative effect of the change in accounting principle are summarized as follows (in thousands):

Previously unrecognized net loss	\$	4,982
Previously unrecognized prior service cost		108
	\$	<u>5,090</u>

The following table summarizes the liability for pension benefits reflected in the consolidated statements of financial position at June 30 (in thousands):

	2008		2007	
PBO at end of year	\$	117,614	\$	113,286
Less: Fair value of plan assets at end of year		(95,349)		(92,573)
	\$	<u>22,265</u>	\$	<u>20,713</u>

Changes in the PBO are summarized as follows for the years ended June 30 (in thousands):

	2008	2007
PBO at beginning of year	\$ 113,286	\$ 110,915
Service cost	4,869	4,614
Interest cost	7,010	6,504
Actuarial gain	(3,312)	(4,840)
Benefit payments	(4,239)	(3,907)
PBO at end of year	<u>\$ 117,614</u>	<u>\$ 113,286</u>

The accumulated benefit obligation was \$93,018,000 and \$89,613,000 at June 30, 2008 and 2007, respectively.

The change in the fair value of plan assets is summarized as follows for the years ended June 30 (in thousands):

	2008	2007
Fair value of plan assets at beginning of year	\$ 92,573	\$ 79,925
Actual return on plan assets	4,289	11,603
Employer contributions	2,726	4,952
Benefit payments	(4,239)	(3,907)
Fair value of plan assets at end of year	<u>\$ 95,349</u>	<u>\$ 92,573</u>

The components of net periodic benefit cost recognized within operating expenses in the consolidated statement of changes in unrestricted net assets are summarized as follows for the years ended June 30 (in thousands):

	2008	2007
Service cost	\$ 4,869	\$ 4,614
Interest cost	7,010	6,504
Expected return on plan assets	(7,623)	(6,710)
Previously unrecognized amounts:		
Amortization of net loss	-	30
Amortization of prior service cost	-	92
Amounts recognized previously as non-operating changes in net assets:		
Amortization of prior service cost	92	-
	<u>\$ 4,348</u>	<u>\$ 4,530</u>

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

Gains or losses and other changes in the PBO arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statement of changes in unrestricted net assets. These changes are reflected net of a contra-expense adjustment for amounts recognized previously, but included as components of net periodic benefit cost in the current period. Accordingly, the net non-operating increase in unrestricted net assets related to pension benefits is summarized as follows for the year ended June 30, 2008 (in thousands):

Net actuarial loss	\$ (22)
Contra-expense adjustment for components of net periodic benefit cost recognized previously	92
	<u>\$ 70</u>

Cumulative amounts recognized as non-operating changes in unrestricted net assets that had not yet been reflected within net periodic benefit cost are summarized as follows at June 30 (in thousands):

	2008		2007	
Net loss	\$	5,004	\$	4,982
Net prior service cost		16		108
	\$	5,020	\$	5,090

The following weighted-average assumptions were used in measuring the PBO and net periodic benefit cost, respectively, for the years ended June 30:

	2008		2007	
PBO (measured at end of year):				
Discount rate		6.50%		6.25%
Rate of compensation increase		5.00%		5.00%
Net periodic benefit cost (measured at beginning of year):				
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 projected payments to beneficiaries under the plan for each of the five fiscal years subsequent to June 30, 2008 are as follows (in thousands):

2009	\$	4,569
2010	\$	4,810
2011	\$	5,082
2012	\$	5,469
2013	\$	5,934

Projected aggregate benefit payments for the five year period ending June 30, 2018 are \$38,250,000. The University's estimated contributions to the plan for the year subsequent to June 30, 2008 are \$5,400,000.

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. To preserve the purchasing power of the plan's assets 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:

	2008		2007		Target	
Short-term investments		1.6%		0.9%		0.0%
Public equities:						
U.S.		11.7%		18.5%		15.0%
Non-U.S.		15.8%		19.0%		18.5%
Fixed income securities		17.0%		15.5%		17.5%
Marketable alternatives		35.3%		31.0%		31.5%
Real assets		11.9%		6.8%		10.0%
Private equity		6.7%		8.3%		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 hold no assets and are funded by the University as claims are paid.

At June 30, 2007, the University adopted the provisions of SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans," which requires the recognition of the full funded status of defined benefit post-retirement benefit plans in the statement of financial position. Accordingly, the liability for postretirement benefits as recognized in the consolidated statements of financial position represents the actuarially determined accumulated post-retirement benefit obligation ("APBO") at year end.

As a result of adopting SFAS 158, the University 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 components of the cumulative effect of the change in accounting principle are summarized as follows (in thousands):

Previously unrecognized net loss	\$	31,815
Previously unrecognized prior service credit		(15,129)
	\$	<u>16,686</u>

The following table summarizes the changes in the APBO for the years ended June 30 (in thousands):

	<u>2008</u>	<u>2007</u>
APBO at beginning of year	\$ 55,344	\$ 50,153
Service cost	3,335	3,399
Interest cost	3,218	3,008
Plan amendments	401	-
Actuarial gain	(4,431)	(338)
Benefit payments	(1,102)	(878)
APBO at end of year	<u>\$ 56,765</u>	<u>\$ 55,344</u>

The University amended certain cost-sharing provisions of its postretirement benefit plans effective January 1, 2008. The effect of these amendments on the APBO at June 30, 2008 was an increase of \$401,000.

The components of net periodic benefit cost recognized within operating expenses in the consolidated statement of changes in unrestricted net assets are summarized as follows for the years ended June 30 (in thousands):

	<u>2008</u>	<u>2007</u>
Service cost	\$ 3,335	\$ 3,399
Interest cost	3,218	3,008
Previously unrecognized amounts:		
Amortization of net loss	-	2,389
Amortization of prior service credit	-	(4,962)
Amounts recognized previously as non-operating changes in net assets:		
Amortization of net loss	2,054	-
Amortization of net prior service credit	(4,927)	-
	<u>(2,873)</u>	<u>-</u>
	<u>\$ 3,680</u>	<u>\$ 3,834</u>

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

Gains or losses and other changes in the APBO arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statement of changes in unrestricted net assets. These changes are reflected net of a contra-expense adjustment for amounts recognized previously, but included as components of net periodic benefit cost in the current period. Accordingly, the net non-operating increase in unrestricted net assets related to postretirement benefits is summarized as follows for the year ended June 30, 2008 (in thousands):

Changes in APBO as a result of:	
Actuarial gain	\$ 4,431
Plan amendments	(401)
Contra-expense adjustment for components of net periodic benefit cost recognized previously	(2,873)
	<u>\$ 1,157</u>

Cumulative amounts recognized as non-operating changes in unrestricted net assets that had not yet been reflected within net periodic benefit cost are summarized as follows at June 30 (in thousands):

	<u>2008</u>	<u>2007</u>
Net loss	\$ 25,530	\$ 31,815
Net prior service credit	(10,001)	(15,129)
	<u>\$ 15,529</u>	<u>\$ 16,686</u>

The University expects to reflect the amortization of net losses and net prior service credits of \$1,771,000 and \$4,889,000, respectively, as components of net periodic benefit cost during the fiscal year ending June 30, 2009.

The following weighted-average assumptions were used in measuring the APBO and net periodic benefit cost, respectively, for the years ended June 30:

	<u>2008</u>	<u>2007</u>
APBO (measured at end of year):		
Discount rate	6.50%	6.25%
Health care cost trend rate (grading to 5.0% in 2013)	9.00%	9.50%
Net periodic benefit cost (measured at beginning of year):		
Discount rate	6.25%	6.25%
Health care cost trend rate (grading to 5.0% in 2013)	9.50%	10.00%

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 \$1,484,000 and \$10,729,000, 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 \$1,164,000 and \$8,799,000, respectively.

The projected payments to beneficiaries for each of the five fiscal years subsequent to June 30, 2008 are as follows (in thousands):

2009	\$ 1,425
2010	\$ 1,613
2011	\$ 1,793
2012	\$ 1,996
2013	\$ 2,188

Projected aggregate postretirement benefit payments for the five year period ended June 30, 2018 are \$16,457,000.

Note 9. Temporarily Restricted Net Assets

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

	2008	2007
Expendable funds restricted for:		
Operating purposes	\$ 87,100	\$ 77,191
Investment in land, buildings and equipment	213,939	41,344
Split-interest agreements	16,397	12,087
Endowment funds:		
Accumulated appreciation and earnings on donor-restricted endowment	1,693,296	1,649,947
Term endowment and other funds	275,988	369,622
	<u>1,969,284</u>	<u>2,019,569</u>
	<u>\$ 2,286,720</u>	<u>\$ 2,150,191</u>

Temporarily restricted net assets include contributions receivable of \$69,798,000 and \$67,229,000 at June 30, 2008 and 2007, respectively.

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

	2008	2007
Purpose restrictions satisfied:		
Scholarships and fellowships awarded	\$ 33,414	\$ 29,940
Expenditures for operating purposes	59,214	55,652
	<u>\$ 92,628</u>	<u>\$ 85,592</u>

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

	2008	2007
Reclassified endowment appreciation	\$ 20,997	\$ 56,876
Expenditures for land, buildings and equipment	6,461	72,781
	<u>\$ 27,458</u>	<u>\$ 129,657</u>

Note 10. Permanently Restricted Net Assets

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

	2008	2007
Endowment funds	\$ 1,144,076	\$ 1,014,427
Student loan funds	7,439	7,128
Split-interest agreements	12,060	11,463
Beneficial interests in perpetual trusts	4,774	2,632
	<u>\$ 1,168,349</u>	<u>\$ 1,035,650</u>

Permanently restricted endowment funds include \$118,056,000 and \$78,808,000 in contributions receivable at June 30, 2008 and 2007, respectively.

Note 11. Endowment

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

Endowment and funds functioning as endowment are summarized below as of June 30, 2008 (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Funds established to support:				
Scholarships and fellowships	\$ 819,713	\$ 596,489	\$ 423,177	\$ 1,839,379
Faculty chairs	281,394	607,297	200,837	1,089,528
Academic programs	158,989	379,001	180,525	718,515
General operations	1,073,029	13	1,832	1,074,874
Other	905,370	378,373	219,649	1,503,392
	3,238,495	1,961,173	1,026,020	6,225,688
Contributions receivable	-	8,111	118,056	126,167
	\$ 3,238,495	\$ 1,969,284	\$ 1,144,076	\$ 6,351,855

Endowment and funds functioning as endowment are summarized below as of June 30, 2007 (in thousands):

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

The fair value of assets associated with individual endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. Unrealized losses of this nature were insignificant at June 30, 2008 and 2007, respectively.

Endowment and funds functioning as endowment are invested primarily in the NDEP. Certain funds are invested in other instruments in accordance with donor requirements and other considerations.

Changes in endowment and funds functioning as endowment are summarized below for the years ended June 30, 2008 (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Beginning of the year	\$ 3,032,314	\$ 2,019,569	\$ 1,014,427	\$ 6,066,310
Contributions	8,185	21,781	133,506	163,472
Investment return:				
Investment income	19,402	18,127	967	38,496
Net gain/(loss) on investments	161,407	137,687	(176)	298,918
Investment return distributed	(82,430)	(82,676)	-	(165,106)
Net assets released				
from restrictions	20,997	(20,997)	-	-
Other changes, net	78,620	(124,207)	(4,648)	(50,235)
	<u>\$ 3,238,495</u>	<u>\$ 1,969,284</u>	<u>\$ 1,144,076</u>	<u>\$ 6,351,855</u>

During the year ended June 30, 2008, the University designated more than \$70,000,000 in unrestricted net assets as funds functioning as endowment for a variety of purposes. In addition, net assets approximating \$134,000,000 were transferred from temporarily restricted term endowment funds to expendable funds restricted for investment in buildings and equipment.

Changes in endowment and funds functioning as endowment are summarized below for the years ended June 30, 2007 (in thousands):

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

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.

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

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

	UNRESTRICTED	TEMPORARILY RESTRICTED	2008 TOTAL	2007 TOTAL
Scholarships and fellowships	\$ 26,044	\$ 30,511	\$ 56,555	\$ 49,675
Faculty chairs	8,516	24,072	32,588	28,492
Academic programs	1,003	16,028	17,031	16,418
Libraries	2,385	3,061	5,446	4,823
Other endowed programs	10,749	9,004	19,753	17,347
General operations	33,733	-	33,733	19,201
	<u>\$ 82,430</u>	<u>\$ 82,676</u>	<u>\$ 165,106</u>	<u>\$ 135,956</u>

Currently, the expenditure of unrestricted net assets for operational purposes consistent with donor-imposed restrictions on specific endowment funds is deemed 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. This release of restrictions on endowment net assets does not result in additional appropriations for expenditure, but rather a reclassification of temporarily restricted endowment funds to unrestricted funds functioning as endowment designated for the same purpose.

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):

	2008	2007
Scholarships and fellowships	\$ 7,773	\$ 34,978
Faculty chairs	10,268	10,608
Libraries	1,019	3,196
Other	1,937	8,094
	<u>\$ 20,997</u>	<u>\$ 56,876</u>

On August 8, 2008, the FASB issued Staff Position FAS 117-1 (the "FSP"), which provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Under the terms of the FSP, which is effective for fiscal years ending after December 15, 2008, the portion of donor-restricted endowment funds not classified as permanently restricted must be classified as temporarily restricted until appropriated for expenditure. Accordingly, unappropriated endowment appreciation will no longer be deemed spent upon adopting the guidance in the FSP.

Furthermore, since the provisions of the FSP must be applied to funds in existence when the enacted version of UPMIFA becomes effective, the new guidance will require net assets released from restrictions in prior periods be reclassified from unrestricted funds functioning as endowment to temporarily restricted endowment funds. The state of Indiana enacted a version of UPMIFA effective July 1, 2007. Thus, the University anticipates a reclassification of net assets from unrestricted funds functioning as endowment to temporarily restricted endowment funds as of this date. The reclassification will be reflected as a non-operating change in net assets in the comparative consolidated financial statements to be issued for the year ended June 30, 2009. Although no net change in the University's overall net assets is expected as a result of adopting the provisions of the FSP, the University expects the aforementioned reclassification between unrestricted net assets and temporarily restricted net assets to be significant.

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 \$86,071,000 and \$59,164,000 at June 30, 2008 and 2007, 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 \$11,165,000 and \$8,797,000 at June 30, 2008 and 2007, 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	2008 TOTAL	2007 TOTAL
Charitable trusts	\$ -	\$ 30,344	\$ 24,788	\$ 55,132	\$ 34,144
Charitable gift annuities	1,672	1,065	1,417	4,154	2,937
	\$ 1,672	\$ 31,409	\$ 26,205	\$ 59,286	\$ 37,081

Note 13. Grants And Contracts

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

	DIRECT	INDIRECT	2008 TOTAL	2007 TOTAL
Provided for:				
Research	\$ 56,205	\$ 14,100	\$ 70,305	\$ 68,384
Other sponsored programs	6,301	75	6,376	7,029
	<u>\$ 62,506</u>	<u>\$ 14,175</u>	<u>\$ 76,681</u>	<u>\$ 75,413</u>
	DIRECT	INDIRECT	2008 TOTAL	2007 TOTAL
Provided by:				
Federal agencies	\$ 48,691	\$ 13,092	\$ 61,783	\$ 60,140
State agencies	933	23	956	2,176
Private organizations	12,882	1,060	13,942	13,097
	<u>\$ 62,506</u>	<u>\$ 14,175</u>	<u>\$ 76,681</u>	<u>\$ 75,413</u>

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 \$8,263,000 and \$7,276,000 for the years ended June 30, 2008 and 2007, 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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