



2002 ANNUAL REPORT

A GLOBAL VISION



The “Hurley globe,” shown here and on the cover, has long served as a symbol of the University’s dedication to international education. In 1917 Notre Dame became the first American university to offer a four-year course in foreign commerce. Placed in the early 1930s in the Memorial Hall of the newly-constructed Edward N. Hurley Building, named for its benefactor and built to accommodate the growing College of Foreign and Domestic Commerce, the globe and adjacent maps depict major world trade routes so that, in Hurley’s words, “students may visualize what modern transportation and commerce have done toward bringing the nations of the world into closer contact.” Images of those maps also appear on the pages of this Annual Report. With today’s Mendoza College of Business occupying a different building — and achieving international recognition itself — the Hurley Building fittingly houses the offices of the University’s International Study Programs.

Statistical Highlights

ACADEMIC YEARS ENDED JUNE 30

	1998	1999	2000	2001	2002
STUDENTS					
Undergraduate	7,838	7,875	8,014	8,038	8,208
Graduate and professional	2,437	2,426	2,640	2,762	2,846
Total fall enrollment	10,275	10,301	10,654	10,800	11,054
UNDERGRADUATE ADMISSIONS					
Applications	9,079	8,578	10,010	10,051	9,378
Offers of admission	3,663	3,586	3,500	3,442	3,338
Enrolled	1,904	1,940	1,971	1,958	2,036
Selectivity ratio	40.3%	41.8%	35.0%	34.2%	35.6%
Matriculation ratio	52.0%	54.1%	56.3%	56.9%	61.0%
DEGREES CONFERRED					
Baccalaureate	1,943	1,920	2,001	1,954	1,985
Master's	556	504	560	701	725
First professional	169	181	182	203	180
Doctoral	118	135	147	132	116
Total degrees conferred	2,786	2,740	2,890	2,990	3,006
UNDERGRADUATE TUITION RATE					
	\$19,800	\$20,900	\$22,030	\$23,180	\$24,320
Percent increase over prior year	5.3%	5.6%	5.4%	5.2%	4.9%

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Our campus is in South Bend, our classroom is the world.

ANGERS, FRANCE
ATHENS, GREECE
BERLIN, GERMANY
CAIRO, EGYPT
DUBLIN, IRELAND
FREMANTLE, AUSTRALIA
INNSBRUCK, AUSTRIA
JERUSALEM, ISRAEL
LONDON, ENGLAND
MONTERREY, MEXICO
MOSCOW, RUSSIA
NAGOYA, JAPAN
PARIS, FRANCE
PERTH, AUSTRALIA
PUERTO, MEXICO
RIO DE JANEIRO, BRAZIL
ROME, ITALY
SANTIAGO, CHILE
SHANGHAI, CHINA
ST. PETERSBURG, RUSSIA
TOKYO, JAPAN
TOLEDO, SPAIN
XALAPA, MEXICO



From the President

The events of the past year compel us to reexamine and reaffirm the place and role of the University in the theater of global affairs. If we entertained the idea that the fall of the Berlin Wall and the breakup of the Soviet Union would bring at last some release from the anxiety of our condition at the end of the 20th century, we soon had to face the counterweight of regional tensions and strife around the globe. Troubles have continued in Northern Ireland, the Middle East, Latin America, India and Pakistan, the Balkans and in other areas where prejudices have grown deeply rooted from hundreds and even thousands of years of discord, ethnic and religious differences and territorial disputes.

The terrorist attacks of September 11, 2001, on our own soil caused us to rethink how complicated and complex is the world in which we exist. For perhaps the first time in this generation, we have discovered the vulnerability of our way of life and values that underlay it. At the same time we have shown great resilience as a people. We have all been inspired by the heroism of the firefighters and police officers who risked their lives on that tragic day. We have also seen a continual manifestation of the collective generosity of the American people and our friends from around the world.

In an age when we have been able to foster a more harmonious and open-minded relationship among the great religions of the world, we have been faced with the manifestations of fanaticism that can falsely claim to represent the essence of each of these same traditions. The demonization of enemies and the inducement of paranoia have been the hallmarks of demagogues and tyrants in every generation. Perhaps only in a university setting can we continue to unpack and to discuss the influences and forces that we must recognize and face in our world.

We have much to learn about the history, culture and value systems of other peoples and civilizations. We also have much to share about our own political, social and economic realities.

Here at Notre Dame, we see our role as multi-faceted, as teaching and scholarship intersect with learning and advocacy. We enjoy the good fortune of having first-class faculty with expertise in many relevant areas of scholarship. The University is home to virtually scores of research institutes and centers, a number of which are international in focus and most of which incorporate ethics as a central attribute of their missions. During the last decade, to cite one instance, our Law School's Center for Civil and Human Rights, which has served both research and advocacy functions for some three decades, developed an exceptionally strong base of research and experience through its involvement with the International Tribunals for Rwanda and for the former Yugoslavia. Through its participation, the Law School was able to expand its internship programs in human rights, and, in the case of Rwanda, it enabled young lawyers from Africa to learn and to contribute to the human rights efforts in their own country. Thus, we achieve a balance of teaching, scholarship and engagement.





At the same time Notre Dame vigorously promotes study-abroad programs for its students, and we have a higher percentage of students engaged in international study programs in a wider variety of locations — 16 countries on six continents — than any other university in the country. We do this in the belief that it is vitally important for students to experience different cultures, develop mutual understandings and build stronger connections with men and women from other nations. Our aim is to produce a generation of leaders who have a global perspective and a deep appreciation for diverse cultures and, thus, a better understanding of global political, economic and social issues.

Most vexing, of course, are the troubles that are deeply rooted in territory and culture, where the earth has been bloodied and the collective psychology of a people embraces an ethic of holy war and retribution. How should we as a Catholic university deal with such conflicts when they seem intractable and even perverse?

There is of course no simple answer. Last spring I received detailed reports from Rev. Mike McGarry, C.S.P., rector of Notre Dame's Tantur Ecumenical Institute, which is located on the main road between Bethlehem and Jerusalem. For safety's sake we have temporarily withdrawn our students from Israel, and at Tantur we are currently running a bare bones operation, with several scholars and the staff. Programs at the Institute have been canceled as the friction between the Israelis and the Palestinians has grown more intense. Depending on the day,

members of the Institute's staff, who are all Palestinian Christians or Muslims, were having a difficult time going back and forth to their homes. Many of them live in a village where firefights have been common. On some nights during the siege in Bethlehem, the residents were kept awake by the gunfire.

Our aim is to produce a generation of leaders who have a global perspective and a deep appreciation for diverse cultures and, thus, a better understanding of global political, economic and social issues.



Still, the Tantur property itself remains intact. It is surrounded by a stone wall, and we have installed security cameras which are monitored. Notre Dame established the Institute at the specific behest of Pope Paul VI. Its location between Jerusalem and Bethlehem makes it an ideal outreach to both Hebrew University and Bethlehem University. If a peace settlement can

be achieved, Tantur will be well situated for future engagement in the religious conversation and in efforts to maintain peace and reconciliation and to keep open the lines of communication among the three Abrahamic traditions.

That effort toward peace will require generous hearts and open minds, a difficult but not impossible scenario. One ray of hope comes directly from Notre Dame's Kroc Institute for International Peace Studies, which established one of the nation's first graduate programs in peace studies. The program attracts students and visiting scholars from around the world to study peacemaking while building cross-cultural understanding. Recent graduates include both Israeli and Palestinian students, who remain in touch with each other through e-mail and who continue to share ideas and hopes for a lasting peace.

The work of the Kroc Institute is complemented by that of Notre Dame's Kellogg Institute for International Studies, which is global in scope but retains a core interest in Latin America and the processes of democratization and social justice. This work, in turn, has links with other Notre Dame projects — the Institute for Church Life's study of small Christian communities in Central and South America, for instance. Because Christianity is growing rapidly in the southern hemisphere, Notre Dame has a particular interest in sustaining these programs of research and advocacy. The same may be said of the new pastoral initiative undertaken in Dublin, Ireland, by our rapidly expanding Alliance for Catholic Education program, an initiative geared toward serving the most needy.

I have only scratched the surface. But in the end, these many efforts reach landfall as a form of seeking — for truth, reconciliation, justice and beauty. The sense in which the University's campus in South Bend is a hub from which these programs both radiate and draw strength is intensified by their shared mission to explore, understand and make intelligible the world, its cultures and its peoples. These are the foundational requirements not only of scholarship but also of peacemaking.

— REV. EDWARD A. MALLOY, C.S.C.
PRESIDENT



The Hesburgh Center for International Studies
houses both the
Joan B. Kroc Institute for International Peace Studies
and the **Helen Kellogg Institute for International Studies**.

Academic Review

An educational experience that is global in nature has always fit with Notre Dame's mission as a Catholic university and its quest to take its place among the leading universities of the world. Throughout our history we have not only attempted to nurture among our students a global perspective from our campus in South Bend, but we have also sought to carve out for Notre Dame a place within the international community. This is, in fact, the vision that gave rise to the Helen Kellogg Institute for International Studies and the Joan B. Kroc Institute for International Peace Studies, both of which are rightly recognized throughout the world for their leading-edge research, scholarship, teaching and service in the arena of international studies. The more recent development of the Nanovic Institute for European Studies and the Keough Institute for Irish Studies continues this outreach.

Notre Dame itself has become a more internationally diverse place on a number of fronts. We have an increasing number of international faculty members and continue to recruit foreign scholars to serve as visiting faculty. The Kellogg Institute has brought to Notre Dame, and especially to the College of Arts and Letters, a significant number of international faculty who enhance our academic community in countless ways. Their presence on campus creates a more vibrant academic atmosphere by introducing international perspectives to Notre Dame students. And in turn, visiting scholars develop professionally during their time here in anticipation of filling leadership roles in their home countries.

Faculty exchanges and sponsored visits to host universities elsewhere also contribute to the richness and diversity of experience at Notre Dame. Faculty members from Notre Dame regularly teach and conduct research abroad, as part of their own teaching and research agendas in addition to participating in Fulbright and other visiting professorships. For example, Professor John Nagle of the Law School spent spring semester 2002 in China at Tsinghua University in Beijing teaching property and environmental law. As China moves toward new ways of thinking about property and the implications of development, such knowledge is critical. Perhaps more so now, in the wake of September 11, than ever before, this cross-infusion of cultural and international diversity will continue to help initiate and sustain the kinds of conversations that can lead to greater understanding and tolerance among all peoples.

The academic experience is being further broadened with an increasingly international curriculum and new opportunities to research global issues. Through the Kellogg, Nanovic and Keough Institutes, undergraduates now may pursue minors in Latin American, European and Irish Studies, respectively. Research awards for undergraduate students are available through the Kellogg and Nanovic Institutes and the Center for Asian Studies.

Faculty members

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Of course the learning process does not stop when students leave the hallways of academic buildings for the day. It continues in meaningful ways through routine interactions — in the close-knit communities of our residence halls, in the dining halls and on the athletic fields. Students are immeasurably enriched when they share those experiences with fellow students from other cultures. Thus, Notre Dame remains committed as an institution to greater international representation in its student body. During the past four years, our international undergraduate population has risen slowly but steadily, to approximately 3.5 percent. Our goal is to increase this number to 5 percent for the 2003-04 academic year. Among our graduate student population the numbers are predictably higher: Of the approximately 1,500 graduate students about one-third are international.

Experiential learning about international perspectives is perhaps at its pinnacle when students study abroad. More than 1,000 undergraduate students participate in international study programs annually. Our long-standing programs in places like London, Angers, Innsbruck, Toledo and Fremantle have been supplemented with recent additions in Dublin, in Brazil through a Notre Dame/Harvard partnership and in Rome with a new program for liberal arts students apart from the long-standing architecture program, which for many years has required all third-year students to spend a year studying there.

Each foreign program offers distinct experiences for its students, and many programs provide opportunities for students to become involved in service-learning projects. Students in Santiago, Chile learn from unforgettable experiences with the challenges posed by urban poverty. A new pastoral initiative in Ireland has been established in which four graduates of Notre Dame's Alliance for Catholic Education program will live and teach in Dublin, serving as educators for at-risk students in four urban Catholic schools.

As we move forward, Asian studies presents a great challenge and a wonderful opportunity for expanding our international programs given the diverse cultures of this immense region. Our current program in Japan is small. On campus Notre Dame's Center for Asian Studies coordinates activities related to the academic study of Asia and encourages intellectual and social interchange among faculty and students interested in Asian affairs. Our ongoing strategic planning efforts will look at how we can do more in Asian studies, and our next capital campaign will undoubtedly include among its goals new ways to enhance our curriculum by targeting specific areas for growth.

The universal mission of the Catholic Church will continue to provide for Notre Dame not only the mandate but also the framework in which to build a truly great, international Catholic university — one that will continue to make a difference in the world.

— NATHAN O. HATCH, PH.D.
PROVOST



From Prisoner of Conscience to Professor

Juan Méndez, Director of the Center for Civil and Human Rights, Notre Dame Law School

Step into Juan Méndez's classroom, and you will see the bright future of human rights around the world.

Speaking English in a host of accents, students from Notre Dame's international law and peace studies programs take their seats around the table. The group includes an Australian forensic psychologist who has counseled prisoners and a Rwandan lawyer who served on the tribunal investigating genocide in her country. There's a young attorney from Colombia who is writing a thesis on armed conflict. Two burly, smiling men walk in late, with apologies — they are a Bosnian and a Serb who have worked for human rights groups in the former Yugoslavia, on opposite sides of the war. They stow their backpacks and turn their attention to Méndez, who faces the class with the confidence and courtesy of a seasoned lawyer approaching the bench.

Since assuming the directorship of the Center for Civil and Human Rights (CCHR) in 1999, Méndez has combined teaching, research and service to link the Law School to the international human rights movement in multiple ways. With characteristic modesty Méndez marvels at the expertise that participants in the Center's LL.M. and J.S.D. programs in international human rights law bring to Notre Dame. Most have several years' experience as lawyers, teachers and judges. "And I'm supposed to teach them!" he laughs.

Raised in Mar del Plata, Argentina, Méndez earned his law degree in 1970 from Stella Maris Catholic University. He began his career as a labor lawyer, but when the country's rulers suspended civil liberties in the early 1970s, Méndez found himself defending political prisoners. That dangerous work led twice to his own arrest and imprisonment. Like many detained by the military dictatorship, Méndez underwent brutal torture when he was jailed in 1975. Yet unlike the thousands who died in prison or simply "disappeared," Méndez was fortunate to have Amnesty International adopt him as its first "prisoner of conscience" in Argentina, leading to his eventual release and exile to the United States.

What followed was a tireless and distinguished career as a human rights advocate — first at a Catholic program for immigrants, next at the Washington Lawyers' Committee for Civil Rights Under Law and for 15 years as executive director and general counsel at Americas Watch (now Human Rights Watch). In *SPEAK TRUTH TO POWER*, a book chronicling the efforts of human rights defenders around the world, Kerry Kennedy Cuomo writes that "Juan Méndez created a road map for others to follow in defending political cases" and gained a reputation for "pioneering advocacy tools that are the bases of much international human rights work today."

In 1996 Méndez took the helm of the Inter-American Institute for Human Rights in Costa Rica, after spending time at Notre Dame as a visiting fellow with the Kellogg Institute for International Studies and teaching at the Law School. Those experiences awakened him to the idea that his energy might best be spent educating a new generation of human rights lawyers. When the death of Rev. William Lewers, C.S.C., left the CCHR without a director in 1997, the University pursued Méndez. "We wanted somebody who would be able to raise



the Center's profile in terms of its reputation within the international human rights movement," recalls CCHR associate director Garth Meintjes. "Almost every person that the search committee spoke to when they heard what the Center needed, said, 'You should talk to Juan Méndez.'"

Méndez accepted the job for the same reason he relishes his work today. "I like the engagement with people who are at earlier stages of their careers but also have a wealth of experience of their own. It helps me keep abreast of how human rights work changes over time and in different countries," he says. "You always have a sense of renewal when you talk to them."

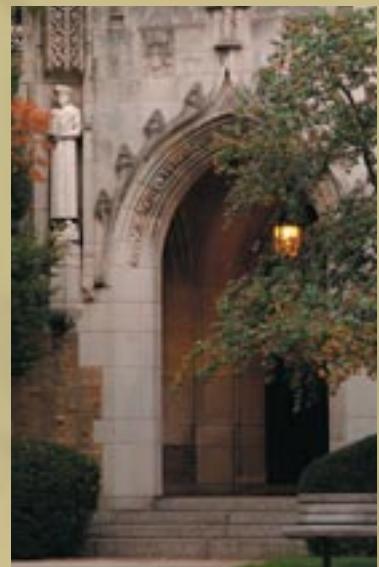
That sense of renewal allows Méndez to move calmly through his relentless schedule, balancing academic commitments with activism and service. Early in 2002, he became president of the Inter-American Commission on Human Rights of the Organization of American States, a job that requires regular travel to monitor and promote rights in member states. Thus, in a typical semester Méndez might teach a law class, visit El Salvador on a fact-finding mission, judge an undergraduate moot court competition, counsel foundations on legal strategies, author several articles and moderate seminars and working meetings in a half-dozen cities on current issues in human rights.

All the activity seems to enhance, rather than dilute, his focus and reputation. "Unlike many human rights advocates, he seems to have credibility across the spectrum. He is so thoroughly committed to the big picture of the cause of human rights that he doesn't allow himself to be distracted by minor divisions and disagreements," says Meintjes. Helena Olea, a J.S.D. student from Colombia, agrees: "He's always fair with everyone. He can have a thousand things to do, but if a student knocks on his door with a question, he takes the time to answer it."

With Méndez heading the CCHR, Notre Dame lies at the heart of a global human rights network and keeps students and faculty on the cutting edge of developments in their fields. As director he helped secure a major grant from the Ford Foundation to launch a project on "transitional justice" — a phrase that describes attempts by societies to overcome legacies of systematic human rights abuses and move toward justice and reconciliation. The Center also landed support from the MacArthur Foundation to train Mexican lawyers in the promotion of economic, social and cultural rights, as well as funding from the Open Society Institute to sponsor internships for African lawyers at the International Criminal Tribunal for Rwanda.

In the classroom it's clear that Méndez is not only aware of where the law is going, but both he and the young people he mentors are directly involved in the processes that are pushing it there. About one-third of Notre Dame's LL.M. and J.S.D. graduates end up working for organizations whose impact on the human rights field is transnational. Many others return to their countries with tools that will make them more effective scholars, lawyers and judges. Nothing pleases Méndez more than sending students into the world and harnessing Notre Dame's resources to build a culture of human rights in developing countries.

Despite the seriousness of his work, Méndez takes time to enjoy life. Friends say he has a gentle, but unfailingly accurate, sense of humor. He is unabashedly proud of his three grown children, and he and his wife Silvia, also an attorney, often entertain students at their home. He wears a bright blue-and-gold necktie to class on football Fridays and when he's not traveling joins a regular pick-up soccer game with students and colleagues. Time in prison and years in the trenches have given Méndez a thoughtful demeanor and strong sense of purpose, even on the soccer field. According to his rivals, he plays well and fairly — and likes to win.



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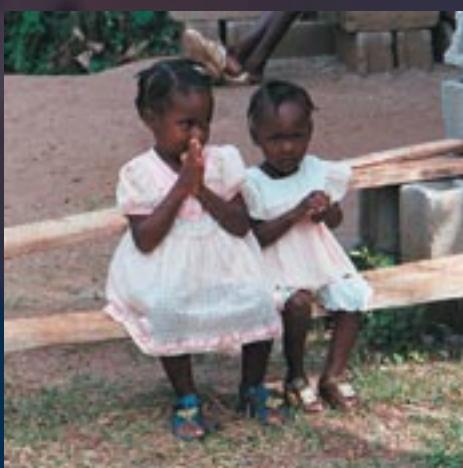
Bringing Clean Water to the People of Haiti

A College of Engineering Service-learning Project

Most Americans think nothing of downing a tall glass of cold water on a hot summer day, or anytime they're thirsty for that matter. Clean, fresh water is as close as the nearest tap. Often the only source of water in Third-World countries is the nearest river, which offers water most Americans wouldn't consider drinking.

For several years faculty in the Department of Civil Engineering and Geological Sciences have been involved in water treatment in Third-World countries. More recently, the focus has been on providing students with opportunities to play a role in improving water resources in underdeveloped areas while also expanding their educational experiences.

In March 1999 in conjunction with the Center for Social Concerns, Stephen E. Silliman, associate dean for educational programs and professor of civil engineering and geological sciences, led his first team of students to Cap Haitien, Haiti, as part of a one-credit service project. "We helped villagers become active participants in the drilling and maintenance of their hand-pump wells, in essence developing with them a clean water resource that can last for generations," recalls Silliman. "But it was equally gratifying to see how the project changed our students."



Those seven undergraduates, both engineering and non-engineering students, learned to put their education into practice within the boundaries of the social context. "Students tend to look at dirty water and think the benefits of a working well are obvious," says Silliman. "After all, clean water means less disease. But, our students needed to look beyond the obvious. An engineer, for example, cannot walk into a community that has no electricity and no technicians; install an electric pump; and then expect the members of that community to be able to access clean water. An engineer must be prepared to develop technologies and practices individual communities can use and to work in collaboration with people from other disciplines."

Silliman took his sixth group of students to Haiti in May 2002, traveling to the village of Bayeau. When they arrived, they found that villagers trained by the prior student team in October 2001 had repaired wells in 10 other villages. The next steps include forming a water committee to oversee future training, planning and repairs, as well as teaching repair teams to develop a parts list and to manufacture inexpensive parts equivalents.

"Everyone wins in this program," says Silliman. "It really brings the University's mission to life, and that is very rewarding."



Business and Community in South Africa

Gigot Center for Entrepreneurial Studies and the
Center for Ethics and Religious Values Internship Program



Since 1998 Notre Dame MBA students have been traveling halfway around the world to Cape Town, South Africa, as part of an internship program that helps entrepreneurs launch businesses in this newly democratized yet still volatile nation. For two months every summer, approximately eight students work primarily through non-governmental organizations to provide hands-on skills training, marketing strategies, financial models and operational strategies for both micro-businesses and non-governmental business support organizations.

Operated through the Mendoza College of Business' Gigot Center for Entrepreneurial Studies and the

Center for Ethics and Religious Values, the innovative program pairs students with mentors from the South African business community. According to Professor Jim Davis, director of the Gigot Center, the internship program also has made a significant impact on the development of corporate policies, addressing issues ranging from immigration to micro-lending for new business start-ups. One recent Notre Dame intern researched and drafted a proposed policy for the South African government on the moral, ethical and financial importance of businesses adopting HIV/AIDS policies. The policy is currently being reviewed by South African religious leaders and will be distributed to members of the South African parliament.

Notre Dame students who participate in the internship program not only share valuable knowledge while developing their own business skills but perhaps, more important, are able to immerse themselves into the Cape Town community and the South African culture. They see firsthand the challenges of a country that has experienced dramatic and at times violent political and social change. And they return with new and perhaps life-changing perspectives about life and work in a developing nation.





Near and Far

A. James McAdams, William M. Scholl Professor of International Affairs and Director of the Nanovic Institute for European Studies

James McAdams' life was never the same after he went to Germany on a study-abroad program. He had grown up in Cincinnati and never been outside the United States. But as a college sophomore, he traveled to West Berlin with the hope of seeing something new and learning "a little German" so he could study 19th-century philosophy.

"It's a cliché, but that experience changed my life," says McAdams, William M. Scholl Professor of International Affairs at Notre Dame. "It was a shock to see how other people lived, especially when I went through the Berlin Wall into East Berlin. For the first time I was able to visit a communist country and, though I didn't like much of what I saw, it fascinated me. The whole experience laid the foundation for my career as a teacher and scholar."

McAdams went on to earn master's and doctoral degrees in political science from the University of California, Berkeley. In the course of his studies, he returned to Berlin in the early 1980s and, while deeply critical of the East German government, he remained both "amazed and perplexed" by the divided nation. He returned again in 1988 as the first U.S. political scientist to conduct research in East Berlin, bringing with him his young family for a year of study. He is today one of the world's leading experts on modern German politics and the politics of retrospective justice.



McAdams hopes to expand the Nanovic Institute's efforts

to "bring Europe to Notre Dame ... while also injecting Notre Dame's message into Europe."

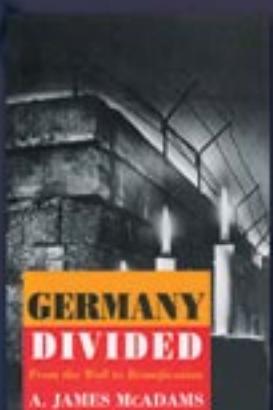
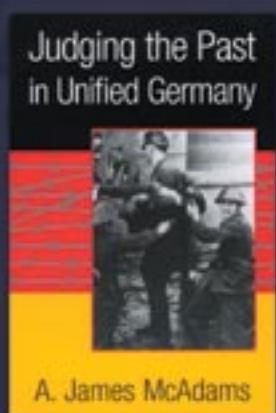


His personal experiences as a student, scholar and, most recently, as an instructor in Notre Dame's London Program, have made McAdams an ardent proponent of the University's wide-ranging international study programs.

"The point of sending students abroad is to provide 'culture shock,'" says McAdams, who recently became director of Notre Dame's Nanovic Institute for European Studies. "That term can be viewed negatively, but what I mean is that it's our responsibility to confront students with different languages, cultures and ways of looking at the world which, in turn, will help them better understand their own countries and themselves. Our students at Notre Dame are secure. I think it's our job to shake them up a little and help them start to ask questions and, ultimately, to seek wisdom. Study abroad is a very important way to achieve that goal."

Another way is through the University's varied international institutes. Just as the Kellogg Institute for International Studies has brought a greater understanding of Latin America to campus, McAdams hopes to expand the Nanovic Institute's efforts to "bring Europe to Notre Dame in ways that will enlighten and stimulate our students, while also injecting Notre Dame's message into Europe."

After earning his doctorate from Berkeley, McAdams taught for seven years at Princeton University before joining the Notre Dame faculty in 1992. In some ways, he's come full circle — back in the Midwest and not so far from Cincinnati — but it's with a far different and much more diverse view of the world.



2001-02 University Highlights

* The historic O'Connell House is purchased to serve the needs of the growing Dublin program.

* With the organization of 10 new clubs during the year, the number of international Notre Dame Alumni Clubs has grown to 43, with a presence in Africa, Asia, Australia, Canada, Europe, Latin America and the Middle East, Caribbean and South Pacific.

* Notre Dame hosts the first meeting in the United States devoted to discussion and implementation of a new initiative known as the United Nations Global Compact.

international highlights

University News

* A strategic planning process, titled "Notre Dame 2010: A Quest for Leadership," is initiated to determine the University's priorities and needs in coming years.

* Construction begins on the much-anticipated Marie P. DeBartolo Center for the Performing Arts, underwritten in part with a portion of a \$33-million gift from the late Edward J. DeBartolo. Other benefactors include Judd Leighton, Arthur and Patricia Decio and Regis Philbin. It will be completed in 2004.

* Dedication ceremonies and an academic symposium mark the opening of Edward A. Malloy, C.S.C., Hall, a 67,000-square-foot facility for the theology and philosophy departments. The building was underwritten by a gift from Donald R. Keough, former chair of the Notre Dame Board of Trustees.

* On the afternoon of September 11, thousands of faculty, students, staff and area residents gather on the South Quad for a memorial Mass for the victims of that morning's terrorist attacks on the United States. Subsequent University fund-raising efforts produced more than \$450,000 in relief.

* The executive MBA program of the Mendoza College of Business is ranked 30th worldwide in the first survey of such programs by London's FINANCIAL TIMES.

* THE FINANCIAL TIMES also ranks the Department of Finance at Notre Dame among the top 10 in the world.

* A Web-based research magazine titled LUMEN is launched to showcase the breadth and depth of faculty and student research, scholarship, creativity and teaching.

* The University Libraries receive a one-of-a-kind collection of 45 letters written by legendary 19th-century South American liberator José de San Martín.

* Jim Lehrer, executive editor and anchor of "The NewsHour with Jim Lehrer" on PBS, delivers the annual Red Smith Lecture in Journalism.

* The Department of Political Science is awarded editorship of the prestigious NEWSLETTER OF COMPARATIVE POLITICS.

* Tim Russert, moderator of "Meet the Press" and the Washington bureau chief of NBC News, delivers the principal address at Notre Dame's 157th Commencement Exercises. He replaced Mexican President Vincente Fox, who was unable to attend due to political circumstances within his nation.

* Rev. John P. Smyth, executive director of Maryville Academy in Des Plaines, Illinois, and a 1957 graduate of Notre Dame, receives the University's Laetare Medal, the oldest and most prestigious honor given to American Catholics.

* Television personality Regis Philbin, a 1953 graduate, receives the 2002 Rev. Edward F. Sorin, C.S.C., Award from the Alumni Association.

* Louis M. Nanni, vice president for public affairs and communication, is elected vice president for University Relations to succeed William P. Sexton, who will retire as an officer to return full time to the faculty as a professor of management.

Faculty and Administration

* Joseph P. Marino, chair of the chemistry department at the University of Michigan, is appointed dean of the College of Science to succeed Francis J. Castellino, who will return to full-time teaching and research after 22 years as dean.

* Theologian Timothy Matovina, a leading scholar in the study of Latino theology, religion, culture and history, is appointed director of the University's Cushwa Center for the Study of American Catholicism.

* Frances Hagopian, associate professor of government and international studies and an expert on the comparative politics of Latin America, is appointed director of Notre Dame's Kellogg Institute for International Studies.

* A. James McAdams, chair and William M. Scholl Professor of International Affairs with expertise in modern German politics, is appointed director of the University's Nanovic Institute for European Studies.

* R. Scott Appleby, professor of history, is the only academic invited to address the U.S. Catholic bishops when they met in Dallas to formulate a policy on priests accused of sexual abuse.

* The National Advisory Council on Alcohol Abuse and Alcoholism chaired by Notre Dame's president, Rev. Edward A. Malloy, C.S.C., issues a new study that calls for changing the "culture of drinking" on U.S. college and university campuses.

* **The Notre Dame Club of Guatemala** was “adopted” by the Notre Dame Club of St. Joseph Valley (the South Bend area) in a new cooperative enterprise and model program in which domestic clubs mentor smaller, developing international clubs. Jointly, the Guatemala and St. Joseph Valley Clubs will provide scholarship assistance to Guatemalan students and assist them in assimilating into the U.S. and Notre Dame communities.



* **Testifying on the reauthorization** of the Corporation for National Service, Rev. Timothy R. Scully, C.S.C., executive vice president of the University, tells the House Select Subcommittee on Education that partnerships with AmeriCorps have helped Notre Dame’s Alliance for Catholic Education dramatically expand its commitment to serve disadvantaged children.

* **Teresa Ghilarducci**, associate professor of economics, testifies before the House Committee on Education and the Workforce on the collapse of Enron and its implications for the retirement security of American workers.

* **Biologist David Lodge** is among the expert witnesses called to testify at a hearing conducted by the House Subcommittee on Environment, Technology and Standards on what research is needed on invasive species.

* **Darcia F. Narvaez**, associate professor of psychology, is one of five invited guest speakers at a White House Conference on Character and Community. She describes “Community Voices and Character Education,” a federally-funded character education model she designed.

* **Jimmy Gurulé**, professor of law, is featured in NEWSWEEK as one of the “new commanders” in the war on terrorism. He is on leave from the Law School to serve as under secretary for enforcement in the Treasury Department, where he is tracking down the overseas sources of money that finance terrorists.

* **C. William Westfall**, chair of the School of Architecture, speaks at the National Press Club in Washington, D.C., on the 100th anniversary of the McMillan Plan, which provided a framework for the architectural design of the nation’s capital.

* **Peter Holland**, an internationally regarded Shakespearean scholar and director of The Shakespeare Institute at Stratford-upon-Avon, is appointed the inaugural McMeel Professor of Shakespeare Studies.

* **Rev. Richard P. McBrien**, Crowley-O’Brien-Walter Professor of Theology, publishes a new book titled *LIVES OF SAINTS: FROM MARY AND ST. FRANCIS OF ASSISI TO JOHN XXIII AND MOTHER TERESA*.

* **Researchers from the Center for Environmental Science and Technology** develop a simple method for cleaning up toxic metal contaminated wastewaters.

* **Rabbi Michael A. Signer**, Abrams Professor of Jewish Thought and Culture, and **John Van Engen**, Andrew V. Tackes Professor of History, are the coeditors of a new book titled *JEWS AND CHRISTIANS IN TWELFTH-CENTURY EUROPE*.

* **Catalytic converters on automobiles** may be dispersing potentially toxic elements along U.S. roadsides, according to a study conducted by researchers in the Center for Environmental Science and Technology.

* **Rev. Marvin R. O’Connell**, professor emeritus of history, publishes a new book titled *EDWARD SORIN*, a 792-page biography of the Holy Cross priest who founded Notre Dame.

* **Astronomer David Bennett** is part of an international team of scientists that for the first time directly observes an object of “dark matter”—part of the hidden material that makes up most of the total mass of universe.

* **As chair of the Board of Directors** of the BULLETIN OF THE ATOMIC SCIENTISTS, Notre Dame political scientist George Lopez announces that the minute hand of the Doomsday Clock has been moved two minutes closer to midnight.

* **Research by biologist Crislyn D’Souza-Schorey** opens new therapeutic approaches to combating Huntington’s disease.

* **Political scientists George Lopez and David Cortright** from Notre Dame’s Kroc Institute for International Peace Studies collaborate on two new books: *SMART SANCTIONS: TARGETING ECONOMIC STATECRAFT* and *SANCTIONS AND THE SEARCH FOR SECURITY: CHALLENGES TO UN ACTION*.

* **Physicist Albert-László Barabási** publishes a new book that describes how knowledge of the common patterns of networks can illuminate many of life’s most basic mysteries. The book, titled *LINKED: THE NEW SCIENCE OF NETWORKS*, climbs to No. 13 on the Amazon.com retail Web site.

* **A study by Julianne C. Turner**, associate professor in the Institute for Educational Initiatives, finds that students are less likely to use avoidance techniques in math class when their teachers emphasize learning rather than performance.

* **Astrophysicist Peter Garnavich** leads a team of astronomers that finds that gamma ray bursts—the most powerful explosions in the universe—occur when massive stars explode and their cores collapse to form black holes.

* **Three Notre Dame faculty members** — Jay Dolan, M. Cathleen Kaveny and Vincent Rougeau — make presentations at a Vatican conference in celebration of the 20th anniversary of Pope John Paul II's encyclical on human work, *LABOREM EXERCENS*.

* **A half-dozen faculty members** create or restructure courses for the second semester to address issues related to the September 11 terrorist attacks.

* **John Copeland Nagle**, professor of law, is awarded a J. William Fulbright Foreign Scholarship to lecture in China.

Honors

* **Four faculty members** receive research fellowships from the National Endowment for the Humanities, bringing the number of NEH fellowships awarded to Notre Dame in the past three years to 13, the most for any university in the nation.

* **Rev. Gustavo Gutiérrez, O.P.**, John Cardinal O'Hara Professor of Theology, is elected to the American Academy of Arts and Sciences. He is the ninth Notre Dame faculty member elected to the nation's leading learned society.

* **Rev. Timothy R. Scully, C.S.C.**, executive vice president, is appointed to the Wilson Council, a prestigious group of private citizens who advise the trustees and staff of the Woodrow Wilson International Center for Scholars.

* **President Bush appoints Ralph McInerny**, Michael P. Grace Professor of Medieval Studies and director of the University's Jacques Maritain Center, to the President's Committee on the Arts and Humanities. He also receives an honorary degree from Our Lady of Holy Cross College.

* **Carolyn Y. Woo**, Martin J. Gillen Dean of the Mendoza College of Business and Ray and Milann Siegfried Chair in Management, is elected vice chair and chair-elect of the Association to Advance Collegiate Schools of Business, the international accrediting body for business education.

* **Rev. Theodore M. Hesburgh, C.S.C.**, president emeritus of the University, receives three honorary degrees in the spring semester, bringing his record total of honorary degrees to 150.

* **Barry University awards** an honorary doctor of laws degree to Notre Dame's president, Rev. Edward A. Malloy, C.S.C.

* **James L. Merz**, Frank M. Freimann Professor of Electrical Engineering, receives an Alexander von Humboldt Research Award.

* **Christina Wolbrecht**, Packey J. Dee Assistant Professor of Government and International Studies, receives the Leon Epstein Book Award from the American Political Science Association for her book, *THE POLITICS OF WOMEN'S RIGHTS: PARTIES, POSITIONS, AND CHANGE*.

* **The JOURNAL OF CONSUMER RESEARCH** honors Elizabeth Moore, assistant professor of marketing, for her study titled "Children, Advertising, and Product Experiences: A Multimethod Inquiry."

* **A study coauthored by Glen Dowell**, assistant professor of management, receives the Moskowitz Prize for outstanding research on socially responsible investing.

* ***¡PRESENTE! U.S. LATINO CATHOLICS FROM COLONIAL ORIGINS TO THE PRESENT***, a book by theologian Timothy Matovina and historian Gerald E. Poyo, receives the Paul J. Foik, C.S.C., Award from the Texas Catholic Historical Society for the best book of 2000 dealing with Catholic history in the Southwest.

* **The Council for the Advancement and Support of Education** presents its Outstanding Commitment to Professional Development Award to Charles F. Lennon, executive director of the Alumni Association and associate vice president for University Relations.

* **Rev. Theodore M. Hesburgh, C.S.C.**, president emeritus, and head volleyball coach **Debbie Brown** participate in the Olympic torch relay as it passes through South Bend en route to Salt Lake City and the 2002 Winter Olympic Games.

* **A study by management professors** **Robert F. Easley** and **John G. Michel** on how MP3 technology affected the response of the recording industry to e-commerce is recognized as the best theme related paper at the annual International Conference on Information Systems.

* **Margaret A. Doody**, John and Barbara Glynn Family Professor of Literature, is elected second vice president of the American Society for Eighteenth-Century Studies.

* **Gregory T. Gundlach**, John W. Berry Sr. Professor of Business, is named a fellow of the American Antitrust Institute.

* **The U.S. Department of Energy** names Michael D. Hildreth, assistant professor of physics, an Outstanding Junior Investigator, a program that recognizes and supports high-energy physicists.

* **Student groups traveling and performing abroad** during the last two summers included the men's lacrosse team to England and Ireland; the Glee Club to mainland China, Hong Kong, Singapore, Taiwan and Thailand; the women's basketball team to France and Italy; the men's soccer team to Scotland; and the concert band to Denmark, Norway and Sweden.



Students

* **Hundreds of Notre Dame students** participate in service-learning programs during the University's fall, winter and spring breaks to assist the poor in Appalachia, migrant workers in Florida and others in need nationwide.

* **Notre Dame's two student-produced magazines**, THE SCHOLASTIC and THE JUGGLER, receive top honors from the Indiana Collegiate Press Association for the second consecutive year.

* **Junior Karen Swanson** creates a calendar featuring her teammates on the women's basketball team as part of an entrepreneurship class. Sales of the calendar amount to more than \$4,000, with all proceeds going to the World Trade Center Relief Fund.

* **Mahim Jain**, a senior biochemistry major from South Bend, and **Douglas Miller**, a senior biology and Spanish major from Middletown, New Jersey, receive research grants from the Arnold and Mabel Beckman Foundation.

* **Freshman Amy Peterson** from Birmingham, Alabama, is among the finalists in a contest to design Alabama's coin for the U.S. Mint's 50 State Quarters Program.

* **Doctoral candidates Loma Whyte and Glendon M. Zinser** and postdoctoral student **Louise Anne Flanagan** receive grants to fund their research from the Susan G. Komen Breast Cancer Foundation.

* **Andrew C. Serazin** from Elyria, Ohio, and **Matthew G. Wysocki** from Ypsilanti, Michigan, earn scholarships for the 2002-2003 academic year from the Barry M. Goldwater Scholarship and Excellence in Education Foundation. The Goldwater scholarship is considered the premier undergraduate award of its type in the fields of mathematics, the natural sciences and engineering.

* **Mark Philip-Walter Styzynski**, a chemical engineering major from Freehold, New Jersey, receives a graduate fellowship from the National Science Foundation to pursue doctoral studies in chemical engineering at Massachusetts Institute of Technology.

* **Kathleen Ponto**, a mathematics major from Kalamazoo, Michigan, earns a Graduate Research Program for Women Scholarship from the Lucent Technologies Foundation and Bell Laboratories.

* **The Walther Cancer Institute** awards its 2002 Dr. Karl R. Ruddell Scholarship to Shannon Roach, a doctoral candidate in biological studies. The award goes annually to an individual pursuing an M.D. or Ph.D. degree who demonstrates interest and potential in cancer research and exhibits outstanding character and well-defined professional goals.

* **Allan C. Huebner**, a senior from Winston-Salem, North Carolina, is selected to participate in the Navy's Junior Line Officer Advanced Educational Program.

* **Timothy Dolezal**, a finance and business economics major from Carroll, Iowa, is selected valedictorian for the Class of 2002. He achieved a 3.97 grade point average and was a member of the Dean's List each semester. Upon graduation Dolezal takes a position as an investment analyst in the University's Investment Office.

Development

* **Notre Dame receives a \$2-million grant** from The Pew Charitable Trusts to support research and other activities of the Erasmus Institute during the next four years.

* **Alumnus and best-selling author Nicholas Sparks** makes a \$1.5-million commitment to establish an initiative in the University's creative writing program that will include fellowships, internships and an annual Sparks Prize to support a student writer-in-residence.

* **A gift of \$350,000 from alumnus William D. Manly** of Oak Ridge, Tennessee, will be used to establish materials research endowments within the College of Engineering.

* **Jim and Billy Carroll** of Fort Lauderdale, Florida, make a \$300,000 commitment to endow athletic grants-in-aid at the University. The gift is part of an overall plan to provide each athletic program with the full number of grants-in-aid permitted by the NCAA.

* **Rev. Oliver F. Williams, C.S.C.**, director of the Center for Ethics and Religious Values in Business, hosts an international conference devoted to an examination of medical, economic, social, cultural and ethical challenges of the HIV/AIDS pandemic.

* **Juan Méndez**, professor of law and director of the Law School's Center for Civil and Human Rights, is elected president of the Inter-American Commission on Human Rights.

* **The Fulbright Educational Exchange Program** awards study-abroad grants to seven Notre Dame seniors — Joyce Bohnke, Motria Chaban, Alberto Garza, Kirsten Housing, Alison Jay, Kendahl Lund and Mary Radley.

* **The Alliance for Catholic Education**

receives a \$300,000 grant from the GE Fund for programs to support mathematics education and engender an interest in math-based disciplines. It also receives a \$100,000 grant from the Conrad N. Hilton Foundation and a \$55,000 grant from the William E. Simon Foundation to support the program's recent initiatives among inner-city Catholic schools in the Los Angeles area.

* **A \$1-million grant from The Pew Charitable Trusts**

will support Notre Dame's new Hispanic church research initiative, a program in the University's Institute for Latino Studies that will examine the ways in which religious institutions strengthen Latino communities.

* **A \$500,000 gift from alumnus Daniel K. Flatley** has endowed the directorship of a new office that supports Notre Dame undergraduates and their faculty mentors in competition for prestigious fellowships and scholarships such as the Rhodes, Marshall and Fulbright.

* **Notre Dame is part of a new matching grant program** established by the Lilly Endowment, Inc., to encourage philanthropy for Indiana colleges and universities. Each institution in the program will seek to raise up to \$3.5 million, which will be matched dollar-for-dollar by the Indianapolis-based endowment.

Athletics

* **With 20 of 26 teams qualifying** for NCAA tournament competition, Notre Dame finishes 13th in the Sears Directors' Cup competition.

* **Head basketball coach Muffet McGraw** is appointed by U.S. Secretary of Education Rod Paige to a newly created Commission on Opportunity in Athletics.

* **Thirty-seven Irish athletes receive All-America honors**, the most in the University's history, and eight student-athletes are selected as Verizon Academic All-Americans. Four athletes — Monica Gonzalez (soccer), Jarrah Myers (softball), Ryan Shay (track and field) and Luke Watson (track and field) — are both academic and athletic All-Americans.

* **For the sixth consecutive year**, Notre Dame wins the Big East Conference Commissioner's Trophy as the top overall program in both men's and women's athletics — this is the seventh consecutive title for the men.

* **The baseball team** beats top-ranked Florida State to qualify for the College World Series for the first time since 1957. Notre Dame finishes sixth in the final national poll.

* **Center fielder Steve Stanley** finishes his college career with 385 hits, the third highest total in NCAA history.

* **Chris Thomas and Jacqueline Batteast** make Notre Dame the first Big East school to have the men's and women's basketball rookies of the year in the same season.

* **Two Notre Dame coaches** — Yves Auriol (fencing) and Joe Piane (cross country) — are selected national coach of the year, and four — Piane, Debbie Brown (volleyball), Deanna Gumpf (softball) and Bob Bayliss (men's tennis) — earn conference coach of the year accolades.

* **Tyrone Willingham**, head football coach at Stanford University for the previous seven seasons, becomes head coach at Notre Dame.

* **Yves Auriol** retires after seven years as coach of both the men's and women's fencing teams and 17 years with the women's program. He is succeeded by Janusz Bednarski, an assistant at Notre Dame for eight years and former coach of the Polish Olympic team.

* **Notre Dame is the only school** in the nation to produce first- or second-round draft choices in the four major professional sports: forward Ryan Humphrey in the first round of the NBA draft and defensive lineman Anthony Weaver, center fielder Steve Stanley and right wing Rob Globke in the second rounds of the NFL, MLB and NHL drafts, respectively.

* **Three women** also join the professional ranks: Defender Monica Gonzalez is taken by the Boston Breakers as the 11th overall selection in the Women's United Soccer Association draft, outside hitter Kristy Kreher signs with the Minnesota Chill of the U.S. Professional Volleyball League, and the Detroit Shock select guard/forward Ericka Haney in the third round of the WNBA draft.

Development Update

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In a year of difficult economic conditions, the University still gathered a very respectable \$127 million in charitable contributions. Although down by 10.8 percent from the previous year's record total of \$142 million, the fiscal 2002 amount represents the fourth largest total raised in the University's history.

Other fund-raising indicators remained solid in the face of a challenging economy. Undergraduate alumni participation was healthy as 49.1 percent made some type of gift to Notre Dame. There were 50,199 total donors of which 41,883 were alumni. Roughly 5,800 matching gifts accounted for \$3.5 million, placing Notre Dame among the top in the country in both categories.

Essential to any institution's fund raising is its ability to secure high-end leadership contributions. At Notre Dame these are defined as gifts of \$100,000 or more. This past fiscal year 166 donors made gifts of at least \$100,000 — with 17 of those contributions in excess of \$1 million.

Equally critical are gifts received through the Notre Dame Annual Fund — the University's mass appeal effort for alumni, parents and friends of Notre Dame. Just over \$23 million was received in fiscal 2002 through the Annual Fund. This included \$11.8 million from the Sorin Society (gifts of \$1,000 or more), the single largest source of unrestricted income for the University.



Estate or planned gifts continue to play an increasingly important role in the overall development effort. This past year over \$33 million was received through a variety of planned giving instruments — an exceptional proportion of total dollars raised.

Giving from corporations and private foundations remained solid with \$37.5 million raised, including the \$3.5 million in corporate matching gifts mentioned above. Foundation

support includes both national foundations and private, family foundations.

A fifth national program making very steady progress is that of Law School Advancement. Designed to boost support of the Notre Dame Law School, fund-raising gains were made on all fronts with in excess of \$4.7 million given for various Law School programs. The Order of St. Thomas More, comparable to the Sorin Society but for support only of the Law School, reached new highs with 605 members giving over \$643,000.

In summary, the University, although faced with new economic challenges in the past fiscal year, emerged with very strong charitable support. No particular area of fund raising was severely hampered while specific programs such as planned giving and Law School Advancement had very strong results, once again demonstrating the commitment of our donors to the University and its important mission.



Financial Review

In these pages last year, I mentioned the seeds of a comprehensive strategic planning effort that would take root in fiscal 2002. "Notre Dame 2010: A Quest for Leadership" was formally announced by our president, Fr. Malloy, late last winter with a purpose of identifying the key strategic initiatives the University should undertake over the next 10 years.

TNotre Dame enjoys a good record in thinking ahead. "Colloquy for the Year 2000," the last long-term planning effort, took place a decade ago. It set the stage for perhaps the most impressive period of advancement in the University's history — in areas like financial aid, endowed faculty positions, library resources and facilities — and in the fund raising achieved to make the plan a reality. And even during the heady financial years of the 1990s, ambitious goals were supported with prudent fiscal policies grounded in long-term perspectives.

We all know that times have changed. Many student families are dealing with economic hardships precipitated by the bursting of the "tech bubble" and exacerbated by the terrorism of September 11, 2001, and subsequent events. The University's financial planning has been directly affected by capital market declines, as growth in the rate of endowment spending budgeted for fiscal 2003 was limited to four percent compared to over 19 percent annually on average over the past five years. Additionally, in the past year the University began to tackle in earnest the time-consuming and expensive task of replacing its administrative computing systems, as the manufacturer announced it would cease support of our aging mainframe.

**But now more than ever,
Notre Dame is positioned
to make a tremendous
difference as a
world leader
in higher
education.**



But now more than ever, Notre Dame is positioned to make a tremendous difference as a world leader in higher education. Indeed, the very success of the Colloquy in fueling the advancement of the last decade provides a magnificent foundation on which to build. Significant initiatives on the international front mentioned elsewhere in this Annual Report, for example, flowed from that planning process and the fund-raising campaign that followed. The long-standing ethical component of the University's curriculum, notably in the Mendoza College of Business and the Law School, has assumed an even greater urgency in a society disillusioned by corporate scandal.

University Funded Undergraduate Scholarship Aid



The economic challenges we face actually have stirred a collective energy to approach our institutional mission with greater dedication, creativity and focus than ever. This, of course, is where strategic planning will vitally contribute, sharpening the University's vision for the future and helping to define priorities. To complement the planning work now being undertaken in the colleges and schools, every department serving the academy in an administrative support role is also deeply involved in the Quest for Leadership process. We are determined to emerge from this endeavor with smarter and more efficient operations.

In noteworthy ways we are already far along. As an example, the program of no budgeted growth for non-salary items over the past several years and budget incentives instituted in the past year have saved significant funds as departments have done a tremendous job of identifying cost-saving and resource reallocation opportunities.



Fiscal 2002 Results

The overall solid financial position of the University continued despite another year of declines in financial markets. During fiscal 2002, unrestricted revenues, excluding investment losses, were unchanged from fiscal 2001. Grants and contracts provided a significant increase in revenue for the second consecutive year, growing 14.3 percent over fiscal 2001 and 46.0 percent over the last two years, demonstrating the University's commitment to expanding its research enterprise.

The University's asset base at year-end was \$3.98 billion, with total assets decreasing during the year by 7.2 percent, or \$306.8 million, resulting from a \$312.8 million decline in the investment portfolio. Reductions of \$188.9 million in unrestricted net assets and \$220.0 million in temporarily restricted net assets were due principally to the decline in the market value of the endowment. Permanently restricted net assets increased by \$37.4 million as a result of contributions received for endowment.

Capital spending in fiscal 2002 totaled \$52.6 million compared to \$56.5 million the prior year. Moody's Investors Service reaffirmed the University's long-term debt rating of Aaa in connection with bonds issued in the latter part of the fiscal year to fund capital projects. Indicators of financial strength noted by Moody's included successful fund-raising and investment programs, strong and consistent operating performance and Notre Dame's established position as a leading Catholic university.



A Commitment to International Programs

The growing Dublin program serves students from all four of Notre Dame's colleges — Arts and Letters, Business, Engineering and Science. Through the generosity of Donald and Marilyn Keough and Martin and Carmel Naughton, the program was greatly enhanced in the past year with the purchase of O'Connell

House on historic Merrion Square, which will supplement the recently remodeled Newman House.

Once the home of Daniel O'Connell, Ireland's famous Catholic liberator, this facility will provide improved Campus Ministry services, classrooms and computer study and library space for students, faculty and visitors to this important international program.

More about O'Connell may be learned from the book *DANIEL O'CONNELL*, published by the Keough-Notre Dame Centre and edited by Kevin Whelan. Professor Whelan, a historian and member of the Royal Irish Academy, is director of the Centre and taught at Notre Dame in the spring semesters of 1997 and 2000.



These efforts have directly benefited Notre Dame students and their families. For the second consecutive year, the budgeted increase in student charges (for the 2003 academic year) was

held to 4.9 percent, together with the prior year constituting the lowest rates of increase in decades. Notre Dame's charges are at the mid-range for private institutions, and the net cost of a Notre Dame education after accounting for financial aid remains favorable compared to peer institutions. The

recently released annual rankings published by *U.S. News & World Report* placed the University in a tie for 18th on its list of national, doctoral universities and 14th on its "great schools at great prices" list of best values.

But we must continue to be competitive with our aid packages and to increase the diversity of our student body. Financial assistance will depend to a greater extent on operating resources in the next few years, as spending from scholarship endowments — like all endowments — will moderate due to market conditions.

In all of these areas, thoughtful planning and sound management are necessary but insufficient ingredients for success. We must add to the mix the generosity of our alumni and other benefactors even as their world has changed. All of us here today, and those that follow us, are grateful for the enduring nature of their loyalty to Notre Dame as an institution and their deep desire to perpetuate its mission for future generations.



— REV. TIMOTHY R. SCULLY, C.S.C.
EXECUTIVE VICE PRESIDENT

Summary of Financial Results

[IN THOUSANDS]

	Years ended June 30	
	2002	2001
Assets	\$3,975,168	\$4,281,978
Net assets	\$3,461,754	\$3,833,202
Decrease in net assets	\$(371,448)	\$(303,421)
Market value of endowment and funds functioning as endowment	\$2,605,522	\$2,883,606
Bonds and notes payable	\$255,176	\$202,352
Revenues	\$164,503	\$182,860
Expenses	\$535,951	\$486,281
Capital expenditures	\$52,580	\$56,471

Revenues

[IN THOUSANDS]

	Years ended June 30	
	2002	2001
Tuition and fees, net of scholarships and fellowships	\$ 170,557	\$ 166,264
Grants and contracts	50,066	43,783
Contributions		
Unrestricted	21,968	16,073
Temporarily restricted	41,125	38,841
Permanently restricted	38,996	53,343
Investment income		
Unrestricted	17,705	28,780
Temporarily restricted	20,308	24,806
Permanently restricted	1,112	1,737
Net loss on investments		
Unrestricted	(169,904)	(165,120)
Temporarily restricted	(168,585)	(170,897)
Permanently restricted	(1,177)	(537)
Auxiliary enterprises	118,294	128,689
Other sources	24,038	17,098
 Total	 \$ 164,503	 \$ 182,860

Endowment Review

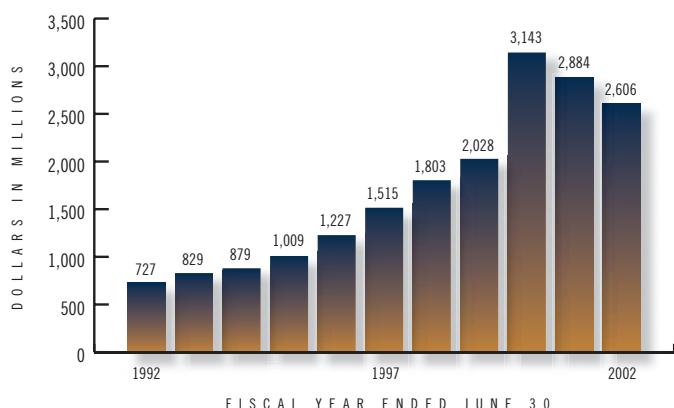
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he Notre Dame Endowment distributed \$108 million for the benefit of endowed programs in fiscal 2002, an increase of some 20 percent over the prior year, continuing its important role in funding the University's aspirations. However, most endowments for the first time in three decades suffered consecutive negative years, as did Notre Dame's, which ranks as the 19th largest endowment in American higher education and the largest at a Catholic institution. Market value of the Endowment fell to \$2.61 billion at June 30, 2002, compared to \$2.88 billion at the end of fiscal 2001.

Net of investment management fees, the

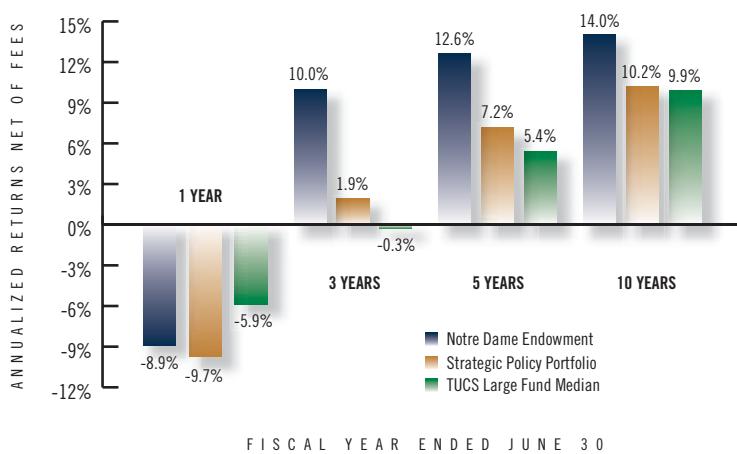
Endowment pool return was (8.90) percent for the fiscal year, compared to (5.85) percent for the TUCS (Trust Universe Comparison Service) Large Fund Median of institutional investors larger than \$1 billion, and (9.70) percent for the Strategic Policy Portfolio. The Policy Portfolio is an internal benchmark consisting of a weighted average of various indices representative of the Endowment portfolio. Widely-followed equity market indices like the S&P 500, NASDAQ and MSCI World returned (18.0), (32.3) and (15.2) percent, respectively.

Endowment Growth 1992-2002



In the face of what is becoming an extended period of economic uncertainty and significant declines in the capital markets, the University remains committed to its fundamental principle of maintaining a long-term focus that does not attempt to time the markets, but seeks to add value by identifying market dislocations and inefficiencies, which has resulted in favorable performance over time. For the five years ended June 30, 2002, the endowment pool returned 12.6 percent annualized, with a 14.0 percent annualized return over the 10-year period, both substantially higher than the TUCS Median and the Policy Portfolio as shown in the accompanying chart.

Endowment Performance Profile



Major asset classes contributing positive returns to the Endowment during the last fiscal year were fixed income (domestic and global), real estate and inflation hedge. The most favorable performance in this group came from global fixed income, which returned 18.6 percent. All major asset classes were positive over the longer five-year time horizon ending on June 30, 2002. Propelled by the venture capital portfolio, the top performing asset class over that five-year period was private equity, with a 45.6 percent annualized return.



Operation of the Endowment

The investment philosophy of the Endowment is active management of a highly diversified portfolio by external investment firms worldwide, monitored by the University's internal professional staff with oversight by the Investment and Finance Committee of the Board of Trustees. To maximize long-term returns, investments favor stock and other equity asset classes, such as opportunistic equities, venture capital and real estate, which serve to diversify common stock holdings. Targets and ranges are established by Board policy.

Asset Class	Strategic Target	Tactical Range	June 30, 2002 Actual %
Domestic Equities	22.5%	20 to 40%	20.2%
International/Global Equities	20.0%	15 to 30%	18.9%
Opportunistic Equities	12.5%	10 to 25%	16.6%
Private Equity	22.5%	15 to 30%	19.8%
Fixed Income	12.5%	10 to 20%	14.2%
Inflation Hedge	5.0%	3 to 10%	5.6%
Real Estate	5.0%	0 to 15%	4.7%

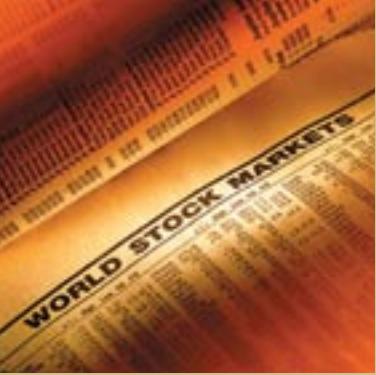
The University's spending policy is to distribute a steadily growing real dollar amount of support to endowed programs each year. Preserving inter-generational equity by appropriately balancing current spending needs and reinvestment for the future will remain a long-term challenge that is regularly monitored.

Endowment spending provides vital financial support in all facets of University life. The proportion of the Endowment devoted to various areas in fiscal 2002 is shown below:

Scholarships.....	28%
Academic Chairs	22%
Academic Programs.....	11%
Operations	9%
Fellowships	7%
Libraries.....	3%
All Other	20%

International Investing

International investing is a hallmark of Notre Dame's investment philosophy, as the Endowment seeks to



diversify and to exploit less efficient areas of the capital markets. Over market cycles, international equities are expected to provide long-term capital appreciation above inflation, deliver real returns in excess of projected

Endowment spending and

provide a superior risk-adjusted return stream. In addition to publicly traded equities, the international program currently incorporates global fixed income, European private equity and Japanese distressed real estate.



Financial aid is the largest portion of the Endowment, and we are pleased to be able to meet the full demonstrated financial need of all our students. University funded undergraduate scholarship aid during the past fiscal year exceeded \$42 million, a substantial 24 percent increase over the prior year with nearly all of the increase coming from endowed scholarships. The number of students receiving such aid increased by almost 10 percent, while the dollar amount of the average grant grew by 13 percent.

The Endowment spending rate has increased by an average of 19.1 percent over the last five fiscal years, during which tuition, room and board grew by 5.3 percent annually on average. Endowment has thus played a tremendous role in funding the University's advancement. Faced with a different environment in global investing compared to the latter part of the 1990s, however, endowment spending will moderate for the foreseeable future to preserve inter-generational equity, and growth of the endowment in the near term will depend largely on new giving.



— SCOTT C. MALPASS
VICE PRESIDENT FOR FINANCE AND
CHIEF INVESTMENT OFFICER

Statements of Financial Position

[IN THOUSANDS]

	As of June 30	
	2002	2001
ASSETS		
Cash and cash equivalents	\$ 54,503	\$ 52,087
Accounts receivable, net	21,761	23,338
Deferred charges and other assets	11,213	11,732
Contributions receivable, net	84,026	89,188
Notes receivable, principally for student loans, net	33,130	32,351
Investments	3,105,806	3,418,603
Land, buildings and equipment, net of accumulated depreciation	664,729	654,679
Total assets	\$ 3,975,168	\$ 4,281,978
LIABILITIES		
Accounts payable	\$ 18,467	\$ 22,506
Deferred revenue	33,723	31,424
Deposits and other liabilities	77,680	57,212
Amounts payable under split-interest agreements	20,526	23,787
Bonds and notes payable	255,176	202,352
Pension and other accrued retirement benefits	82,117	86,658
Government advances for student loans	25,725	24,837
Total liabilities	513,414	448,776
NET ASSETS		
Unrestricted		
Undesignated	89,521	149,316
Designated for specific purposes	218,713	214,359
Invested in land, buildings and equipment	422,671	452,327
Funds functioning as endowment	1,014,473	1,118,236
Total unrestricted	1,745,378	1,934,238
Temporarily restricted	1,012,480	1,232,501
Permanently restricted	703,896	666,463
Total net assets	3,461,754	3,833,202
Total liabilities and net assets	\$ 3,975,168	\$ 4,281,978

See accompanying notes to financial statements.

Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets

[IN THOUSANDS]

	Years ended June 30	
	2002	2001
REVENUES AND OTHER ADDITIONS		
Tuition and fees	\$ 250,265	\$ 232,610
Less: Tuition scholarships and fellowships	(79,708)	(66,346)
Net tuition and fees	170,557	166,264
Grants and contracts	50,066	43,783
Contributions	21,968	16,073
Investment income	17,705	28,780
Net loss on investments	(169,904)	(165,120)
Sales and services of auxiliary enterprises	118,294	128,689
Other sources	26,019	21,898
Total revenues	234,705	240,367
Net assets released from restrictions	112,386	117,797
Total revenues and other additions	347,091	358,164
EXPENSES		
Instruction	194,310	169,480
Research	42,553	35,916
Public service	21,283	20,824
Academic support	36,930	34,330
Student activities and services	25,009	22,029
General administration and support	89,768	84,639
Auxiliary enterprises	126,098	119,063
Total expenses	535,951	486,281
Decrease in unrestricted net assets	\$ (188,860)	\$ (128,117)

See accompanying notes to financial statements.

Statements of Changes in Net Assets

[IN THOUSANDS]

	Years ended June 30	
	2002	2001
UNRESTRICTED NET ASSETS		
Revenues	\$ 234,705	\$ 240,367
Net assets released from restrictions	112,386	117,797
Expenses	(535,951)	(486,281)
Decrease in unrestricted net assets	(188,860)	(128,117)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	41,125	38,841
Investment income	20,308	24,806
Net loss on investments	(168,585)	(170,897)
Change in value of split-interest obligations	(483)	(1,222)
Net assets released from restrictions	(112,386)	(117,797)
Decrease in temporarily restricted net assets	(220,021)	(226,269)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	38,996	53,343
Investment income	1,112	1,737
Net loss on investments	(1,177)	(537)
Change in value of split-interest obligations	(1,498)	(3,578)
Increase in permanently restricted net assets	37,433	50,965
Decrease in net assets	(371,448)	(303,421)
Net assets at beginning of year	3,833,202	4,136,623
Net assets at end of year	\$ 3,461,754	\$ 3,833,202

See accompanying notes to financial statements.

Statements of Cash Flows

[IN THOUSANDS]

	Years ended June 30	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (371,448)	\$ (303,421)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	32,191	31,297
Changes in operating assets and liabilities:		
Accounts receivable	1,577	(3,058)
Deferred charges and other assets	519	1,845
Contributions receivable	5,723	19,942
Accounts payable	(4,039)	(7,494)
Deferred revenue	2,299	(315)
Deposits and other liabilities	4,805	2,703
Amounts payable under split-interest agreements	(3,261)	(1,999)
Pension and other accrued retirement benefits	(4,541)	(5,655)
Contributions for investments and physical facilities	(70,948)	(90,471)
Investment income restricted for reinvestment	(1,112)	(1,737)
Net loss on investments	339,666	336,554
Other, net	29,006	17,592
Net cash used by operating activities	(39,563)	(4,217)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	(30,265)	(47,838)
Purchases of land, buildings and equipment	(52,580)	(56,471)
Student loans granted	(4,978)	(4,372)
Student loans repaid	3,991	3,352
Change in other notes receivable	39	303
Net cash used by investing activities	(83,793)	(105,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for:		
Investments	67,742	67,182
Physical facilities	3,206	23,289
Investment income restricted for reinvestment	1,112	1,737
Proceeds from bonds issued	65,000	—
Repayment of bonds and notes	(12,176)	(2,095)
Government advances for student loans	888	797
Net cash provided by financing activities	125,772	90,910
Net change in cash and cash equivalents	2,416	(18,333)
Cash and cash equivalents at beginning of year	52,087	70,420
Cash and cash equivalents at end of year	\$ 54,503	\$ 52,087

See accompanying notes to financial statements.

Notes to 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 financial statements include the assets and operations of certain other entities, which are owned and operated by 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 financial statements have been prepared on the accrual basis of accounting and in accordance with the reporting principles of not-for-profit accounting as defined by Statement of Financial Accounting Standards (SFAS) 116 “Accounting for Contributions Received and Contributions Made,” and SFAS 117 “Financial Statements of Not-for-Profit Organizations.” SFAS 116 requires unconditional promises to give be recorded as receivables and revenue within the appropriate net asset category. SFAS 117 establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of changes in net assets and a statement of cash flows.

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

Unrestricted Net Assets — Net assets not subject to donor-imposed restrictions. Such assets are available for any purpose consistent with the University’s mission.

Temporarily Restricted Net Assets — Net assets subject to specific, donor-imposed restrictions that must be met by actions of the University and/or passage of time. Such assets normally fund specific expenditures of an operating or capital nature.

Permanently Restricted Net Assets — Net assets subject to a donor-imposed restriction requiring they be maintained permanently by the University. Such assets are normally restricted to long-term investment with income earned and appreciation available for specific or general University purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in net assets consistent with the restrictions placed on their use by either the donor or by law. Expirations of temporary restrictions on net assets, that is, the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions and reclassified from temporarily restricted net assets to unrestricted net assets.

Revenues associated with research and other contracts and grants are recognized when related costs are incurred. Indirect cost recovery by the University on U.S. government contracts and grants is based upon a predetermined negotiated rate and is recorded as unrestricted revenue.

CHANGE IN ACCOUNTING

On July 1, 2000, the University adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS Nos. 137 and 138, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as “derivatives”), and for hedging activities. SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The University follows a policy of recognizing all its derivative instruments at fair market value and does not apply hedge accounting treatment to those transactions. The adoption of this statement did not have a material effect on the University’s statement of financial position, or the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows.

CONTRIBUTIONS

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

AUXILIARY ENTERPRISES

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

CASH AND CASH EQUIVALENTS

Resources invested in money market funds and in short-term investments with maturities at date of purchase of three months or less are classified as cash equivalents, except that any such investments purchased by external investment managers are classified as investments.

INVESTMENTS

Valuation

Investments are stated at fair value and are recorded on the trade or contract date. The estimated fair value of investments is based on quoted market prices, except for certain investments, principally limited partnerships and similar interests, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by the external investment managers as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

The value of forward foreign currency exchange contracts is estimated using available market quotations obtained from banks and foreign exchange dealers. The change in market value of all foreign currency exchange contracts is recorded as unrealized gain or loss on foreign currency contracts in the statement of unrestricted revenues, expenses and other changes in unrestricted net assets. The fair value of these contracts is reported on a net-by-counterparty basis in the statement of financial position where management believes a legal right of offset exists under an enforceable netting agreement.

Open futures and options contracts are valued at the closing exchange quotations on the last business day of the year. Brokerage commissions on open positions are accrued as a liability of the University in full upon the initiation of such open positions. Upon entering into futures contracts, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contracts are traded. New contracts and changes in margin requirements resulting from changes in the fair value of the instruments are funded each business day.

The fair value of interest rate swap agreements is based on valuations provided by the counterparty banks and represents the estimated amount the banks would receive or pay to terminate the swap agreement at the reporting date. The University uses interest rate swap agreements to manage interest rate risk on its variable rate indebtedness. The University includes the differential payable or receivable on its interest rate swap agreements and any gain or loss on the fair value of the instruments currently in the statement of unrestricted revenues, expenses and other changes in unrestricted net assets. The estimated fair value of these instruments is reported in the statement of financial position.

Off-Balance Sheet Risk

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forward, futures, 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 the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of financial position and is not represented by the contract or notional amounts of the instruments.

The University bears risks upon entering into foreign currency exchange contracts from the potential inability of counterparties to meet the terms of their contracts; these risks are generally limited to the amount of unrealized gain, if any, at date of default. The University's risks may also arise from the unanticipated movements in the value of any foreign currency relative to the U.S. dollar. To reduce the impact of changing foreign currency exchange rates on the U.S. dollar value of its international equity holdings, the University utilizes a dynamic currency overlay strategy. While operating within specified risk parameters, the currency overlay manager is expected to outperform a specified hedged benchmark by actively managing individual currency risks utilizing forward foreign currency exchange contracts.

Endowment

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

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.

SPLIT-INTEREST AGREEMENTS

The University's split-interest agreements consist principally of irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the actuarial value, accretion of the discount and other changes affecting the estimates of future benefits.

USE OF ESTIMATES

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

TAX STATUS

The University is a qualified tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

RECLASSIFICATIONS

Certain amounts in the 2001 financial statements and footnotes have been reclassified to conform with the 2002 presentation.

NOTE 2.

ACCOUNTS AND NOTES RECEIVABLE

At June 30, 2002, accounts and notes receivable are stated net of allowances of \$1,484,000 and \$1,158,000, respectively. At June 30, 2001, these allowances were \$1,531,000 and \$1,151,000, 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):

	2002	2001
Unconditional promises expected to be collected in:		
Less than one year	\$ 31,181	\$ 29,192
One year to five years	61,824	80,663
More than five years	17,366	9,836
	<hr/> <u>110,371</u>	<hr/> <u>119,691</u>
Less:		
Unamortized discount	17,217	20,813
Allowance for uncollectible amounts	<hr/> 9,128	<hr/> 9,690
	<hr/> <u>26,345</u>	<hr/> <u>30,503</u>
	<hr/> <u>\$ 84,026</u>	<hr/> <u>\$ 89,188</u>

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

	2002	2001
Temporarily restricted	\$ 34,037	\$ 37,393
Permanently restricted	<hr/> 49,989	<hr/> 51,795
	<hr/> <u>\$ 84,026</u>	<hr/> <u>\$ 89,188</u>

NOTE 4. INVESTMENTS

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

	2002	2001		
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Short-term investments	\$ 174,684	\$ 189,069	\$ 296,704	\$ 306,227
Fixed income securities	401,667	414,216	325,058	328,673
Equity securities	1,394,359	1,325,033	1,487,269	1,521,201
Limited partnerships & similar interests	1,064,590	1,105,801	967,069	1,201,750
Other investments	69,528	71,687	60,719	60,752
	<hr/> <u>\$ 3,104,828</u>	<hr/> <u>\$ 3,105,806</u>	<hr/> <u>\$ 3,136,819</u>	<hr/> <u>\$ 3,418,603</u>

The University is obligated under certain investment contracts to periodically advance additional funding up to contractual levels. At June 30, 2002, such amounts approximated \$489 million.

POOLED INVESTMENTS

Investments totaling \$2.91 billion at June 30, 2002, and \$3.23 billion at June 30, 2001, are pooled on a market value basis with each participating fund owning units in the pool. Additions or withdrawals are based on the market value of the pooled investments. The value per unit was \$1,540 and \$1,719 at June 30, 2002, and 2001, respectively.

Investment return for the years ended June 30, 2002, and 2001, is comprised of the following (in thousands):

	2002	2001
Investment income, net	\$ 37,469	\$ 49,304
Realized gain/(loss)	(54,008)	345,050
Unrealized loss	(283,948)	(689,712)
Total investment return	<u>\$ (300,487)</u>	<u>\$ (295,358)</u>

Investment income is reported net of related expenses, primarily investment advisory fees, of \$14,318,000 and \$15,733,000 for the years ended June 30, 2002, and 2001, respectively.

NOTE 5.

LAND, BUILDINGS AND EQUIPMENT

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

	2002	2001
Land and land improvements	\$ 50,787	\$ 50,440
Buildings	633,133	598,626
Equipment	180,595	168,514
Construction in progress	29,581	42,933
	<u>894,096</u>	<u>860,513</u>
Less accumulated depreciation	229,367	205,834
	<u>\$ 664,729</u>	<u>\$ 654,679</u>

Depreciation expense was \$32,191,000 and \$31,297,000 for the years ended June 30, 2002, and 2001, respectively. The University has commitments to expend approximately \$63.5 million to complete various construction projects as of June 30, 2002.

NOTE 6.

BONDS AND NOTES PAYABLE

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

	2002	2001
St. Joseph County, Indiana		
Educational Facilities Revenue Bonds:		
Series 2002, bearing interest at a variable rate (1.15 percent currently) through 2037	\$ 65,000	\$ —
Series 2000, repaid in 2002	—	10,000
Series 1998, bearing interest at a variable rate (1.10 percent currently) through 2033	43,000	43,000
Series 1997, bearing interest at 4.25 percent to 5.25 percent through 2027	30,295	30,915
Series 1996, bearing interest at 5.5 percent to 6.5 percent through 2026	30,000	30,000
Indiana Educational Facilities Authority Revenue Bonds:		
Series 1997, bearing interest at 4.25 percent to 5.25 percent through 2025	23,060	23,130
Series 1995, bearing interest at a variable rate (1.15 percent currently) through 2025	26,500	26,500
Series 1994, bearing interest at 5.5 percent to 6.65 percent through 2019	28,990	29,865
Series 1992, bearing interest at 5.4 percent to 6 percent through 2023	5,925	6,425
Notre Dame du Lac Dormitory Refunding and Construction Bonds bearing interest at 3 percent through 2018	1,500	1,570
Mortgage notes payable, bearing interest at 3 percent through 2019	906	947
	<u>\$ 255,176</u>	<u>\$ 202,352</u>

The aggregate scheduled maturities of the bonds and notes payable for each of the five fiscal years subsequent to June 30, 2002, are as follows (in thousands): \$2,357 in 2003; \$2,049 in 2004; \$2,205 in 2005; \$2,246 in 2006; and \$2,513 in 2007.

The mortgage notes and Dormitory Refunding and Construction Bonds are collateralized by the facilities to which they relate. The Indiana and St. Joseph County Educational Facilities Authority Revenue Bonds represent general obligations of the University and are not collateralized by the related facilities.

The current fair value of the University's bond and note obligations approximates the aggregate carrying value at June 30, 2002.

Total interest costs incurred and paid were \$10,880,000 and \$8,629,000, respectively, for the year ended June 30, 2002. Interest costs incurred and paid were \$10,071,000 for the year ended June 30, 2001.

The University has established an unsecured line of credit with a major commercial bank to be used for working capital purposes. On May 31, 2002, the line of credit agreement was amended, increasing the amount by \$20 million to \$50 million and extending the termination date to June 30, 2003. The available line of credit was entirely unused at June 30, 2002, and 2001.

NOTE 7. RETIREMENT PROGRAMS

The University offers retirement and postretirement benefits to its employees. The retirement benefits include both a defined contribution plan and a defined benefit plan.

Faculty and certain administrative employees who have completed one year of full-time service at the University are eligible to participate in the defined contribution plan. Participating staff in the defined contribution plan have the option of directing their contributions and the University's contributions on their behalf to Teachers Insurance and Annuity Association, Fidelity Investments or the Vanguard Group. Participating staff are immediately vested in the plan. The University's share of the cost of these benefits was \$13,251,000 and \$11,941,000 for the years ended June 30, 2002, and 2001, respectively.

Retirement benefits are provided for other employees under a defined benefit, trusteed retirement plan administered by the University. This plan provides benefits for certain administrative and staff employees who have completed at least five years of service at a minimum of 1,000 hours of service each year. The defined benefit plan is funded by annual contributions made by the University to the Employee's Retirement Fund. The University's contributions meet ERISA minimum requirements. The plan assets and their related actuarially determined benefit obligation are included in investments and pension and other accrued retirement benefits, respectively, on the Statements of Financial Position as of June 30, 2002, and 2001.

The postretirement benefits offered by the University consist principally of medical and life insurance for retirees and their spouses. Employees are eligible for the postretirement benefits if they retire after attaining specified age and service requirements while employed by the University. The plan is funded as claims are paid.

The University determines the amortization of any prior service cost relating to the projected benefit obligation and accumulated postretirement benefit obligation (APBO) using a straight-line amortization of the cost over the average remaining service period of employees expected to receive the benefits under the respective plan.

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

	<i>Pension Benefits</i>		<i>Postretirement Benefits</i>	
	2002	2001	2002	2001
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$ 69,011	\$ 60,712	\$ 25,001	\$ 23,198
Service cost	3,207	2,897	1,256	977
Interest cost	5,003	4,799	1,829	1,679
Actuarial (gain)/loss	1,987	3,669	5,690	(194)
Benefit payments	(3,096)	(3,066)	(850)	(659)
Benefit obligation at end of year	<u>76,112</u>	<u>69,011</u>	<u>32,926</u>	<u>25,001</u>
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	65,542	73,975	—	—
Actual return on plan assets	(5,892)	(5,367)	—	—
Employer contributions	—	—	850	659
Benefit payments	(3,096)	(3,066)	(850)	(659)
Fair value of plan assets at end of year	<u>56,554</u>	<u>65,542</u>	<u>—</u>	<u>—</u>
Funded status	(19,558)	(3,469)	(32,926)	(25,001)
Unrecognized net (gain)/loss	13,708	(478)	5,872	181
Unrecognized prior service costs	567	659	—	—
Unrecognized net transition (asset)/obligation	—	(398)	6,774	7,390
Accrued benefit cost	<u>\$ (5,283)</u>	<u>\$ (3,686)</u>	<u>\$ (20,280)</u>	<u>\$ (17,430)</u>
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ 3,207	\$ 2,897	\$ 1,256	\$ 977
Interest cost	5,003	4,799	1,829	1,679
Expected return on plan assets	(6,300)	(6,512)	—	—
Amortization of:				
Unrecognized net (gain)/loss	(7)	(646)	—	—
Unrecognized prior service cost	92	243	—	—
Unrecognized net (asset)/obligation	(398)	(398)	616	616
Net periodic benefit cost	<u>\$ 1,597</u>	<u>\$ 383</u>	<u>\$ 3,701</u>	<u>\$ 3,272</u>
WEIGHTED-AVERAGE ASSUMPTIONS				
Discount rate	7.25%	7.50%	7.25%	7.50%
Expected return on plan assets	8.50%	9.00%		
Rate of compensation increase	5.00%	5.00%		

The assumed health care cost trend rate used in measuring the APBO was 7.5 percent at June 30, 2001, and 10.0 percent at June 30, 2002, grading down to 5 percent in 2012. A one-percentage-point increase or decrease in the assumed health care cost trend rates would have affected the total of service and interest cost and APBO by approximately \$507,000 and \$4,955,000, respectively.

NOTE 8.

RESTRICTED NET ASSETS AND ENDOWMENT

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

	2002	2001
Contributions and earnings for operating purposes	\$ 46,972	\$ 45,270
Contributions for the acquisition of buildings and equipment	56,829	60,036
Split-interest agreements	9,937	10,516
Funds functioning as endowment	898,742	1,116,679
	\$ 1,012,480	\$ 1,232,501

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

	2002	2001
Endowment funds	\$ 692,307	\$ 648,691
Student loan funds	4,089	7,324
Split-interest agreements	7,500	10,448
	\$ 703,896	\$ 666,463

The fair value of endowment and funds functioning as endowment is summarized as follows at June 30 (in thousands):

	2002	2001
Unrestricted	\$ 1,014,473	\$ 1,118,236
Temporarily restricted	898,742	1,116,679
Permanently restricted	692,307	648,691
	\$ 2,605,522	\$ 2,883,606

As a result of market declines, the fair market value of certain donor-restricted endowments is less than the level required by donor stipulations or law by \$15,055,000 at June 30, 2002, and \$5,989,000 at June 30, 2001. These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the level required by donor stipulations or law increases temporarily restricted net assets.

NOTE 9.

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.

Report of Independent Accountants

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

In our opinion, the accompanying statements of financial position and the related statements of unrestricted revenues, expenses and other 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, 2002 and 2001, 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, which 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.

PricewaterhouseCoopers LLP

Chicago, Illinois
October 4, 2002

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* June 30, 2002



A Prayer of Remembrance

as read by University President Rev. Edward A. Malloy, C.S.C.
in Notre Dame Stadium, September 22, 2001

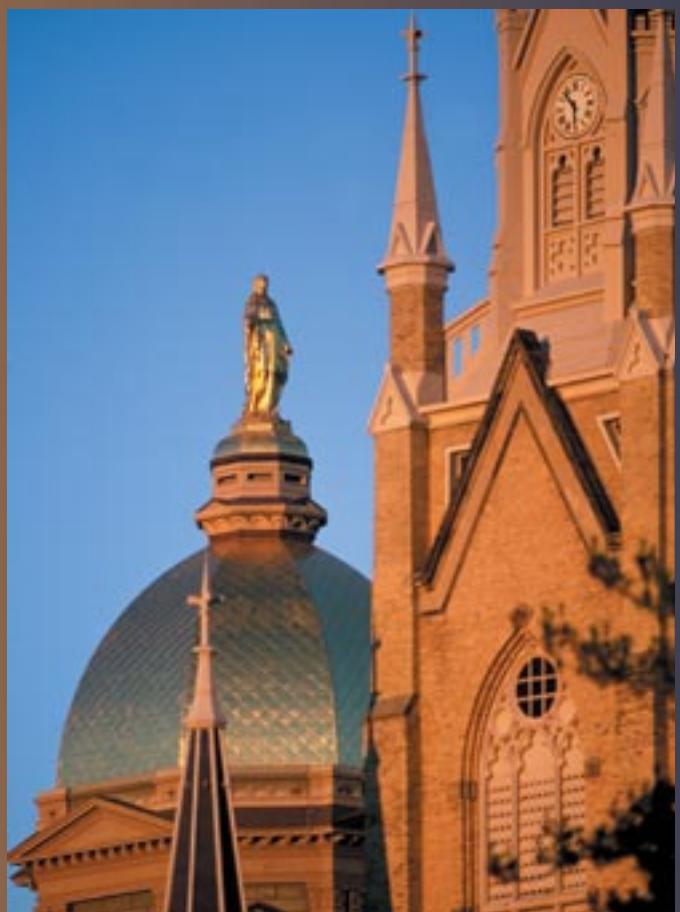
Good and loving God, in our need we turn to you,
the one source of our peace and consolation.
Even in the midst of horror and death, of anguish and suffering,
we have seen abundant signs of your goodness and mercy.
Inspired by the heroism, self-sacrifice,
and goodness of your people,
we believe that your justice is more powerful than revenge,
your grace more powerful than evil,
your love more powerful than hate.

We entrust to your loving care
our deceased sisters and brothers,
victims of a hatred and denial of human dignity
that is condemned by Christians, Muslims, Jews —
indeed by the people of goodwill of every faith, race, and nation.
May all those who have died rest in your peace
and come to share in your Son's resurrection to new life.

We pray as well for loved ones left in mourning —
parents, children, sisters, brothers, wives, husbands, neighbors,
and colleagues — all of those whose lives are marked forever by these
days of tragedy.

God of mercy and Lord of all,
we pray for our President and all in government,
for all world leaders and for ourselves —
through the gift of your Spirit may we join as your people
to oppose violence in all its forms,
to transform prejudice with truth,
and to establish your love and justice among all nations.

We ask the intercession of our patroness,
Notre Dame, Our Lady of Sorrows, and we make this prayer
through our Lord Jesus Christ, your Son,
who lives and reigns with you and the Holy Spirit,
one God, forever and ever.



UNIVERSITY OF
NOTRE DAME