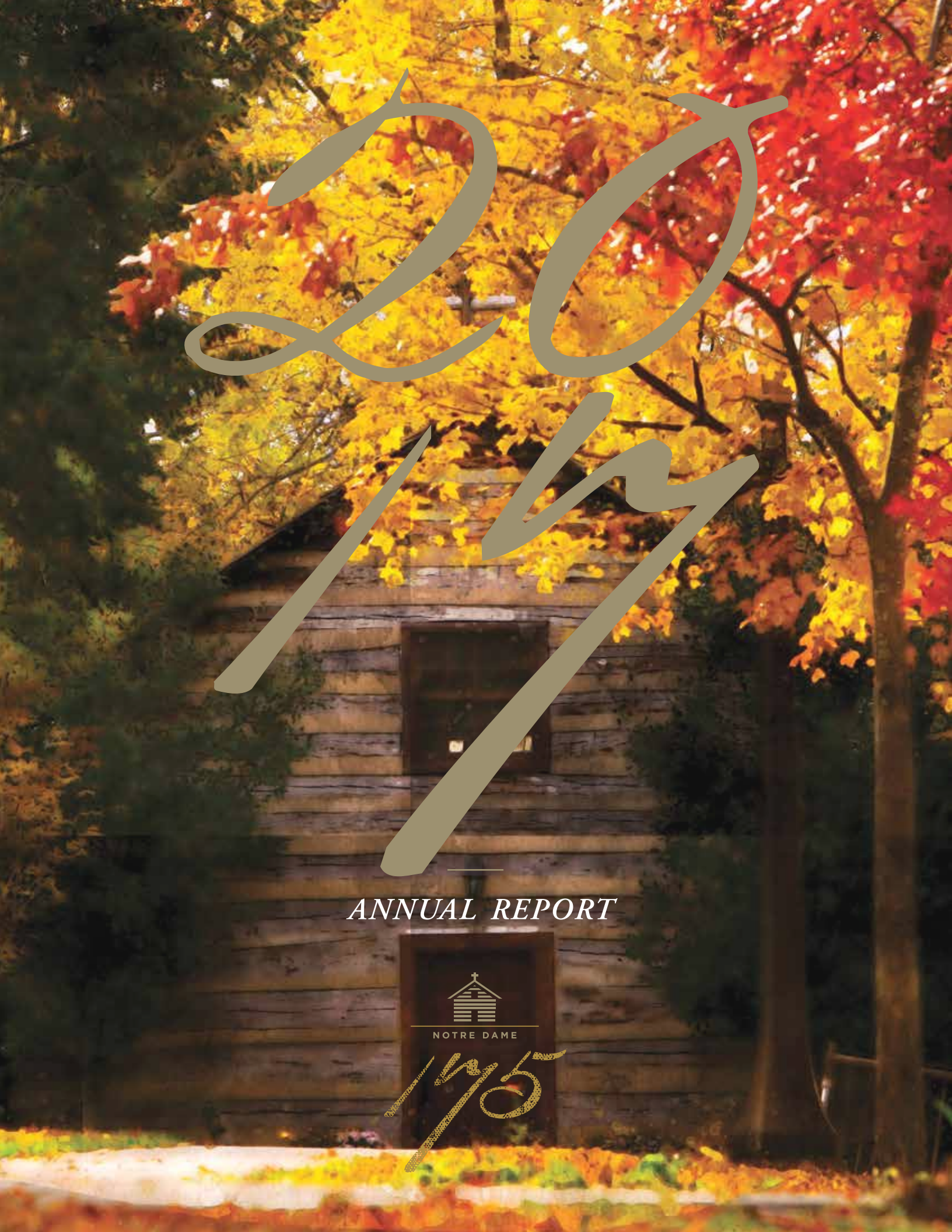

2017

ANNUAL REPORT

NOTRE DAME

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STATISTICAL HIGHLIGHTS

	Academic Years Ending May				
	2017	**2016**	**2015**	**2014**	**2013**
STUDENTS					
Undergraduate	8,530	8,462	8,448	8,477	8,475
Graduate and professional	3,863	3,830	3,731	3,647	3,651
Total fall enrollment	12,393	12,292	12,179	12,124	12,126
ADMISSIONS UNDERGRADUATE					
Applications	19,505	18,157	17,901	17,647	16,957
Offers of admission	3,654	3,595	3,785	3,936	3,947
Enrolled	2,046	2,007	2,011	2,071	2,014
Selectivity	18.7%	19.8%	21.1%	22.3%	23.3%
Yield	56.0%	55.8%	53.1%	52.6%	51.0%
GRADUATE SCHOOL[1] MASTER'S LEVEL					
Applications	1,094	1,352	1,168	1,421	1,417
Offers of admission	158	231	217	256	298
Enrolled	103	142	134	159	178
Selectivity	14.4%	17.1%	18.6%	18.0%	21.0%
Yield	65.2%	61.5%	61.8%	62.1%	59.7%
DOCTORAL LEVEL					
Applications	3,390	3,617	3,703	3,621	4,205
Offers of admission	648	679	645	597	617
Enrolled	301	325	298	275	310
Selectivity	19.1%	18.8%	17.4%	16.5%	14.7%
Yield	46.5%	47.9%	46.2%	46.1%	50.2%
DEGREES CONFERRED[2]					
Baccalaureate	2,146	2,135	2,128	2,106	2,173
Master's (includes MBA)	1,062	1,058	991	983	940
Juris Doctorate	206	172	180	180	183
Doctorate-Research	239	216	244	206	214
Total degrees conferred	3,653	3,581	3,543	3,475	3,510
UNDERGRADUATE TUITION RATE	$ 49,178	$ 47,422	$ 45,730	$ 44,098	$ 42,464
Percent increase over prior year	3.7%	3.7%	3.7%	3.8%	3.8%

[1] *Does not include Graduate Architecture, Business, or Law*

[2] *Includes degrees awarded in all categories*

2016–17

MESSAGE FROM THE PRESIDENT

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

AS NOTRE DAME CELEBRATES THE 175th anniversary of its founding, it seems appropriate, in a spirit of gratitude, to reflect on the achievements of the past as well as the exciting opportunities ahead of us.

Many know the story well. The University's founder, a young Holy Cross priest, Rev. Edward F. Sorin, C.S.C., traveled from France with a few companions and $200 in his pocket to establish "a great university for Our Lady" in the Indiana wilderness in 1842. Father Sorin faced many challenges in those early years, including harsh winters, financial hardship, cholera, and a devastating fire. Through it all, he remained steadfast and, guided by his faith, worked tirelessly to ensure that his bold dream would become reality.

Now 175 years later, we look to the future with that same bold vision. In 2016–17, the University received over $138 million in research awards, nearly double the amount from 10 years ago. In August 2017, Notre Dame opened its first new school in nearly 100 years, the Keough School of Global Affairs, which brings together nine innovative centers and institutes focused on international research, scholarship, and education. Beyond our efforts here on campus, Notre Dame continues to extend its reach in other parts of the world with the October 2017 expansion of the Beijing Global Gateway, one of five international academic and intellectual hubs.

We are pleased that several new academic and student life buildings were dedicated in Fall 2017, including Nanovic Hall, home to economics, political science, and sociology; Jenkins Hall, which houses the Keough School; Corbett Family Hall, home to anthropology, psychology, and a state-of-the-art media center; O'Neill Hall, dedicated to the University's music department and sacred music program; and finally, Duncan Student Center, with new spaces for recreation, fitness, study, career development, and student activities. We are proud of these additions to our campus, most especially because of what these beautiful new facilities will offer to present and future generations of students, faculty, and staff—myriad opportunities for teaching, learning, discovery, innovation, and wellness, in the context of a community of faith turned to service.

Ever attuned to potential changes in the economic climate in the United States and globally, Notre Dame's sound fiscal policies provide a solid foundation for growth. As the leading Catholic research university in the world, we are confident in our ability to pursue our aspirations from a position of strength.

On this occasion of our 175th anniversary, please know of my gratitude for the ways you participate in and contribute to Notre Dame's mission. We ask for God's continued blessing on Notre Dame and all who are part of the Notre Dame family.

2016–17

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

JOHN F. AFFLECK-GRAVES

As we reflect on the 175-year history of the University of Notre Dame, we are grateful for the progress that our University has made because of the dedication and perseverance of our faculty, staff, and administrators, the partnership and support of our alumni and benefactors, and the diligence of our students. Together, we are advancing our aspirational vision of being a great Catholic university for the 21st century.

We are committed to not only advancing our academic programs and being leading researchers, but we are also dedicated to ensuring that an education at the University of Notre Dame is accessible to all. To that end, we have invested $140 million in University resources toward undergraduate financial aid this fiscal year, and we are proud that we have met the full, demonstrated financial need of all of our undergraduate students since 2000. Furthermore, we have continually enhanced our graduate student stipends to make graduate study more accessible and to attract the highest quality of graduate students.

Our endowment is an increasingly important component of our budget, and our prudent stewardship of our endowment resources empowers us to support critical elements of our mission. In fiscal year 2017, nearly one-third of endowment spending distributions supported scholarships and fellowships while another 18 percent of spending distributions were allocated to professorships. Over the past decade, endowment distributions have increased 132 percent, while the overall value of the endowment pool has steadily increased, providing a buffer against future inflation and volatility in financial markets.

As Father Jenkins noted, we have completed seven new academic and student life buildings this year that serve to elevate several of our academic departments and create space for the new Keough School of Global Affairs. During this time of tremendous physical growth, we have diligently adhered to our construction funding policy, which requires that the entire cost be pledged and 75 percent of funds received before we break ground on a facility.

We continue to invest in our infrastructure. Recently, we made significant investments in information technology, security, construction, renovation, and consistent facility maintenance. In addition to the physical growth of campus, we have also strengthened our programs and facilities at our Global Gateways, through the expansion of the new Beijing Global Gateway at the Genesis Beijing complex and the complete renovation of the Villa at the Rome Global Gateway located on the Caelian Hill that will house all of our undergraduate students studying in Rome.

We have announced strategies to strengthen our residential communities. These will enhance our long-standing residential mission of forming communities that are inclusive of all members and dedicated to the intellectual, moral, and spiritual development of Notre Dame undergraduate students. Because we know that our residential model excels best when we have members of each class year contributing to community life, we seek to build two new undergraduate residence halls to accommodate more students on campus.

As we remain committed to our Catholic intellectual tradition, which leads us to be a force for good in the world, we are grateful for the like-minded faculty, staff, administrators, students, alumni, and benefactors who join us in our mission.

2016–17

INVESTMENT REVIEW FROM THE CHIEF INVESTMENT OFFICER

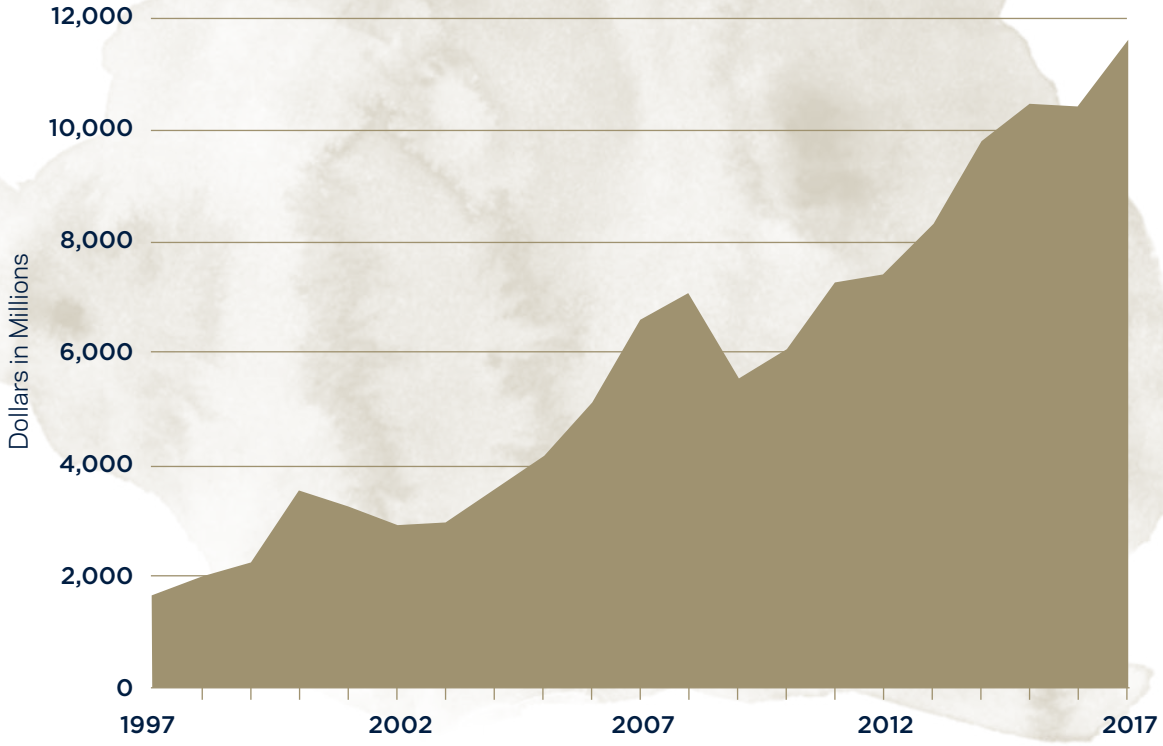
SCOTT C. MALPASS

Rev. James A. Burns, C.S.C., became Notre Dame's tenth president in 1919 and led its transformation from a combined preparatory school and college to a modern university. Primarily to fund salaries for lay professors, he raised $1 million in the University's first large fundraising drive and developed a plan for governance and administration of permanent funds of the University. This was the beginning of the Notre Dame Endowment, which grew under the presidency of Rev. Theodore M. Hesburgh, C.S.C., from 1952–1987, and the leadership of Robert K. Wilmouth as Chair of the Investment Committee of the Board of Trustees from 1978–1994. Bob revolutionized the University's investment management program and assets surged during his tenure from $80 million to nearly $1 billion. He was an adviser and dear friend until his passing in September 2017.

At the end of fiscal year 2017, the market value of the Notre Dame Endowment Pool was $11.79 billion, compared to $10.41 billion at June 30, 2016, with an investment return for the year of 12.6 percent net of investment management fees.

ENDOWMENT POOL MARKET VALUE

AS OF JUNE 30

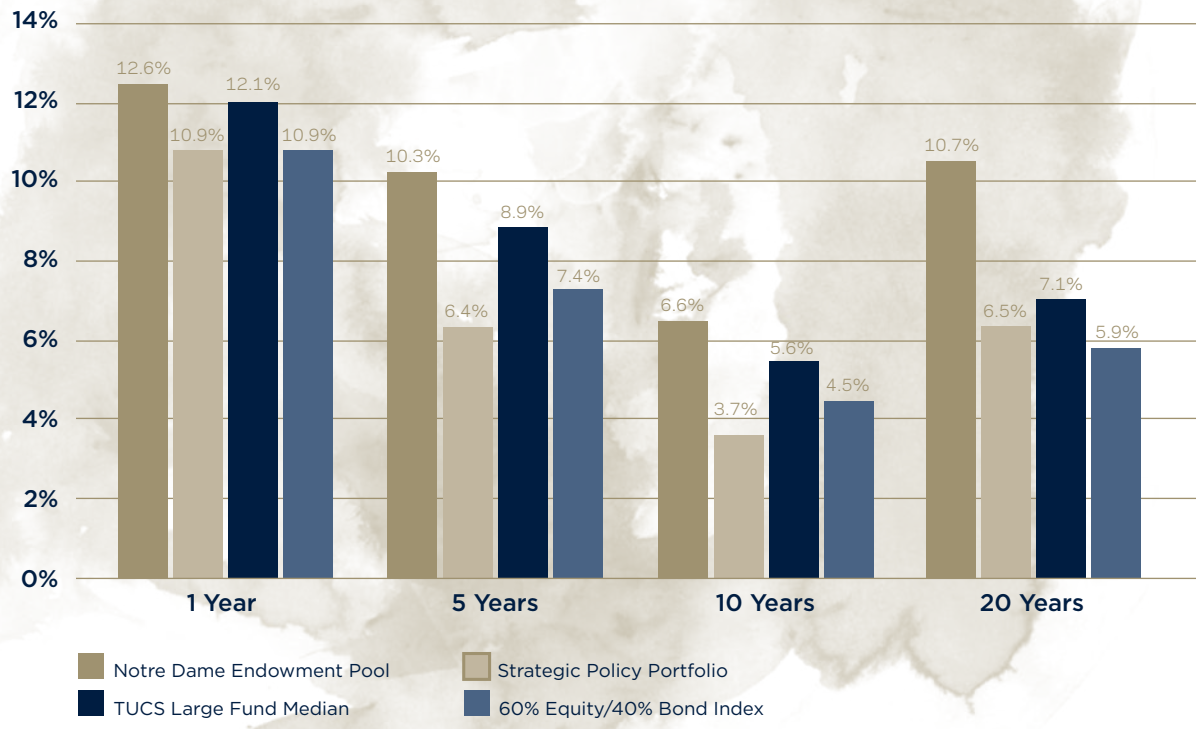


The significant rebound in emerging markets and Europe combined with continued strength domestically led to a strong year for equity markets globally, and the Endowment Pool benefited from these results with public equities from around the world providing the highest returns. Diversification and risk reduction remain hallmarks of our investment management program, and the performance of the Endowment Pool over various time periods and market cycles relative to benchmarks is shown in the chart below.

ENDOWMENT POOL INVESTMENT PERFORMANCE

(ANNUALIZED RETURNS NET OF FEES)

PERIODS ENDED JUNE 30, 2017

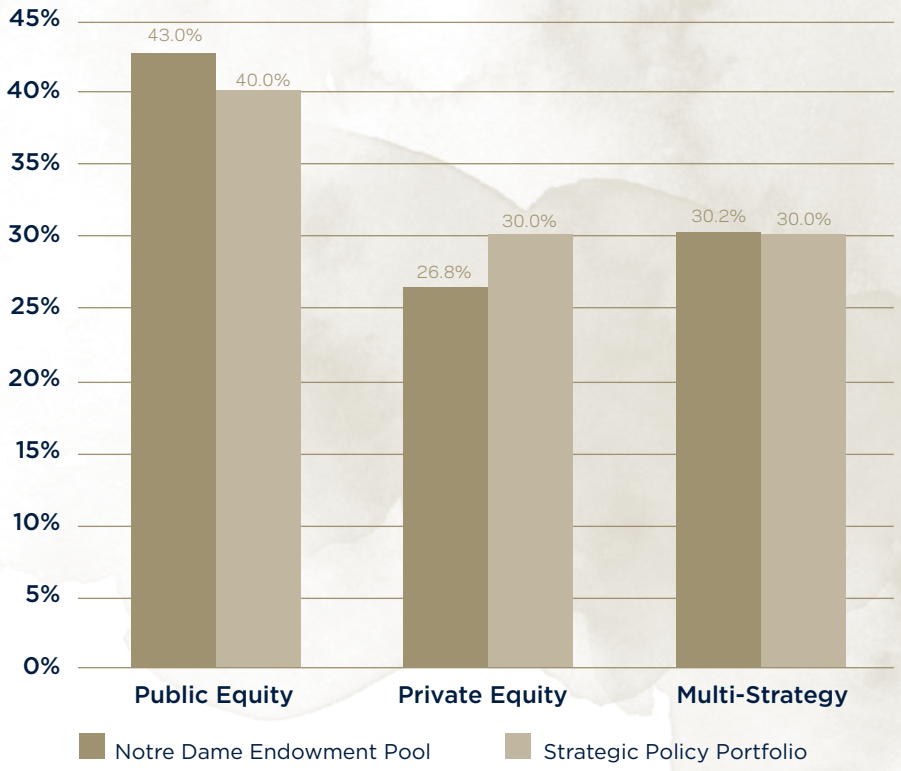


Notre Dame Endowment Pool returns are net of investment management fees. The Strategic Policy Portfolio is Notre Dame's internal benchmark consisting of indices representative of the target investment portfolio. The Trust Universe Comparison Service (TUCS) Large Fund Median is a compilation of returns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

While year-to-year results of course will fluctuate, long-term market data shows for a variety of reasons that returns are trending lower across asset classes. To be successful in this environment, investors will need to be nimble and opportunistic. Regular readers will note that we streamlined our asset allocation structure since last year's report. Our traditional anchors in Public Equity and Private Equity remain, as the role of an endowment in providing a stable source of spending to support the institutional mission historically has required, and will continue to require, a substantial weighting in equity investments for long-term growth. At the same time, we consolidated marketable alternatives, real assets and fixed income into a new Multi-Strategy category without specific targets for those areas, allowing us to be more flexible in pursuing attractive valuations in those and other areas that tend to be more cyclical. The Multi-Strategy portfolio enhances diversification in offering returns less correlated to equity markets and includes various credit strategies, real estate, commodities, traditional fixed income assets, and cash.

ENDOWMENT POOL ASSET ALLOCATION

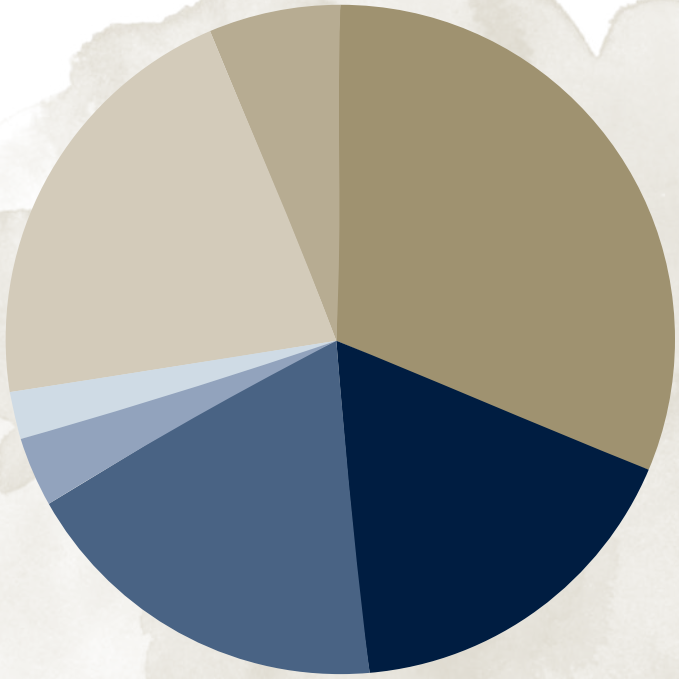
AS OF JUNE 30, 2017



Spending from the Endowment during the fiscal year was $368 million, an increase of 7.4 percent over the prior year, and funded 26 percent of the University's expenditures. The largest beneficiary remains student financial aid.

ENDOWMENT SPENDING PURPOSES

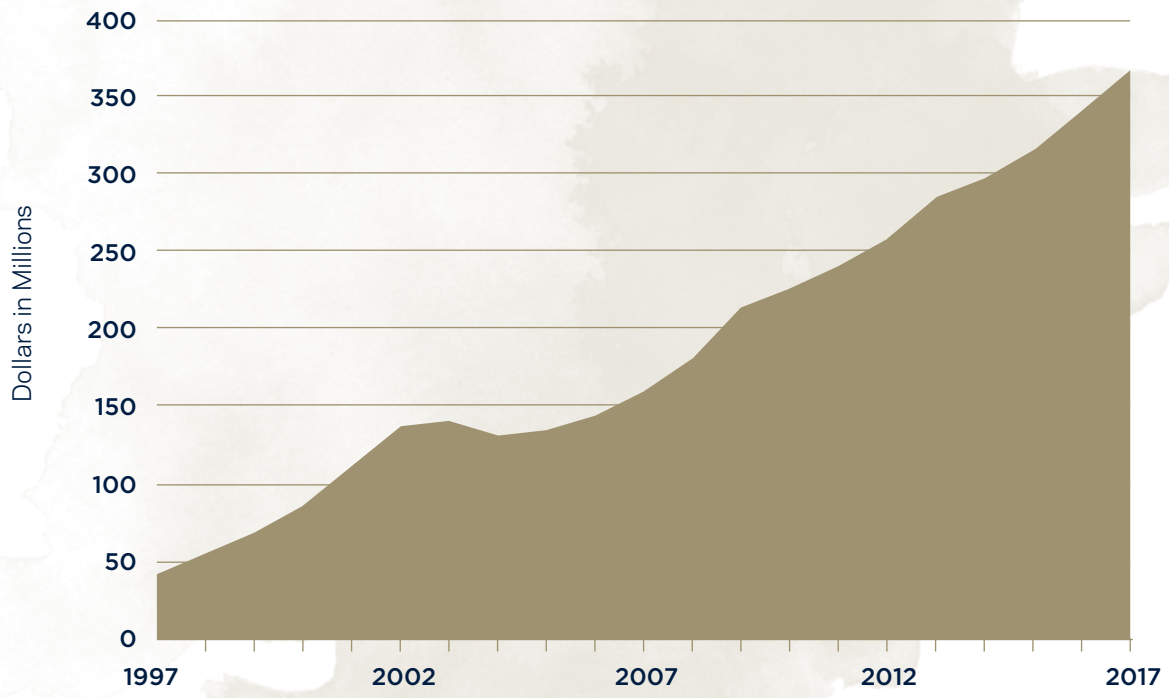
YEAR ENDED JUNE 30, 2017



- Financial aid
- Faculty chairs
- Libraries
- Other endowed programs
- Academic, religious & student programs
- Athletics
- General operations

ENDOWMENT SPENDING HISTORY

FISCAL YEARS ENDED JUNE 30



Cumulative spending for all University purposes over the last 20 years depicted in the above chart was $3.9 billion. The growth of the Endowment Pool over the same period net of these spending distributions is a testament to our long-term investment and spending philosophies, which will serve Notre Dame well for years to come.

2016–17

UNIVERSITY HIGHLIGHTS

historical highlights

For a second consecutive year, Notre Dame played host at the University Commencement Ceremony to the nation's sitting vice president. Former Vice President Joe Biden was co-recipient, with former Speaker of the House John Boehner, of the Laetare Medal in 2016. Current Vice President Mike Pence was the principal speaker and received an honorary doctor of laws degree in 2017. Rev. Gregory Boyle, S.J., founder of Los Angeles-based Homeboy Industries, the largest gang intervention, rehabilitation, and re-entry program in the world, received the Laetare Medal.

On June 5, 1960, President Dwight Eisenhower delivered the University's first presidential Commencement speech. In his 20-minute address, Eisenhower foreshadowed a U.S. government on the verge of social and political change and one facing the difficult task of striking the right balance. Since Eisenhower, five more U.S. presidents have delivered Commencement speeches at Notre Dame—Carter, Reagan, Bush, Bush, and Obama.

As part of the University's continuing response to Pope Francis' environmental encyclical, *Laudato si'*, it announced a comprehensive sustainability strategy that is at once "ambitious and yet realistic." The plan focuses on six areas: energy and emissions; water; building and construction; waste; procurement, licensing, and sourcing; and education, research, and community outreach. A standing committee of faculty, staff, and students has been appointed to review progress on goals and consider continuing steps. Small working groups also are in place to identify benchmarks, tasks, and goals within each of the six areas of focus.

Geothermal well drilling at Ricci Family Fields

In its early years, Notre Dame was largely self-sustaining. As a result, some of the first structures on campus were farm buildings and a bakery, which provided sustenance to the student and faculty population. The farms relocated several times and were in service (lastly at an off-campus location) until 1995.

61

NEH FELLOWSHIPS AWARDED SINCE 1999

Notre Dame's remarkable record of success in the receipt of fellowships from the National Endowment for the Humanities continues. Three faculty members—Associate Professors Darren Dochuk, Karen Graubart, and Sean Kelsey—received fellowships in 2017, bringing to 61 the number of NEH fellows from Notre Dame since 1999—more than any other private university in the country.

Notre Dame has a proud history of education in the humanities. The College of Arts and Letters was founded in 1842, the same year as the University. Today it includes 500 faculty, 3,000 undergraduates, and 1,100 graduate students.

Darren Dochuk, top left, Karen Graubart, top right, and Sean Kelsey, lower right

In a visit to Mexico City in July 2016, Rev. John I. Jenkins, C.S.C., announced the opening of a Notre Dame office there as the first step in a planned expansion of ties between the University and Mexico. The plan is part of a Notre Dame initiative to enhance partnerships with nations in Central and South America.

Near the turn of the century, Notre Dame's enrollment grew rapidly thanks to recruitment efforts in Mexico and Latin America. The high percentage of Catholics in Latin America provided a natural connection for Notre Dame. Historians indicate that by 1905, over 10 percent of the student population came from south of the border. Recruiting materials such as pamphlets, advertisements, and catalogs were translated into Spanish and circulated widely. So significant was the University's relationship to this part of the world that it purchased a train car to make trips to and from South Bend. Faculty including Rev. John A. Zahm, C.S.C., chaperoned trips between campus and Mexico City.

4th

RANKED 4TH IN STUDENTS WHO PARTICIPATE IN STUDY ABROAD

The University's commitment to globalization is manifest in the percentage of students who study abroad. Among doctoral degree-granting universities, Notre Dame ranks fourth with an undergraduate student participation of 64.2 percent. Notre Dame International's study abroad office manages over 50 semester-long programs in 26 countries.

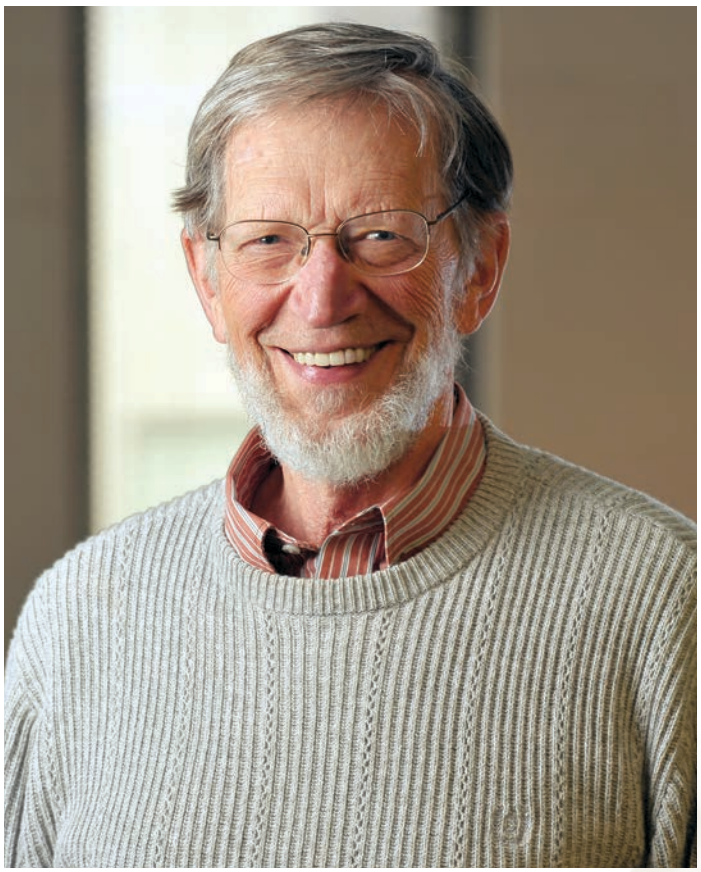
Today's robust study abroad programs were bolstered in the early 1980s by Isabel Charles, Notre Dame's first female dean. Charles served as dean of the College of Arts and Letters from 1976 to 1982. She was then appointed assistant provost and director of international studies. She immediately set out to grow and expand the University's international programs, traveling the world to visit existing study abroad locations and create new ones—in Ireland, Greece, Spain, China, Israel, and Australia, among others.

A larger-than-life-size sculpture of the late Notre Dame President Emeritus Rev. Theodore M. Hesburgh, C.S.C., and Martin Luther King Jr. linking hands in solidarity for racial justice was unveiled in downtown South Bend. It is based upon a photo of the two men at a civil rights rally in Chicago in 1964. In remarks on behalf of the Notre Dame community, Father Jenkins recounted the story of how Father Hesburgh, upon receiving a phone call the day of the rally beseeching him to attend, replied: "What time do you need me?" Father Jenkins concluded his speech by saying: "And when that phone call comes to us and it says, 'We need you to work for justice, for peace,' may we simply respond, 'What time do you need me?'"

Father Hesburgh served as University president from 1952 to 1987. He moved Notre Dame into the fore on conversations of national importance on everything from higher education to the anti-war movement to civil rights. Father Hesburgh was appointed by President Eisenhower to the newly created Civil Rights Commission in 1957. The commission was intended to terminate the South's filibuster, which was blocking civil rights legislation, especially that regarding voting rights, from passing and becoming law.

Bryan K. Ritchie was appointed to the newly created position of vice president and associate provost for innovation. He leads the University's new IDEA Center, which provides technical services and expertise for idea development, technology translation, business formation, and commercialization.

IDEA CENTER
NOTRE DAME



Alvin Plantinga, John A. O'Brien Professor of Philosophy Emeritus, was awarded the 2017 Templeton Prize. Over his 50 years of research in philosophy of religion, epistemology, and metaphysics, Plantinga has advanced landmark arguments for the existence of God, returning the questions of religious belief to the common discourse of academic philosophy. Previous recipients of the $1.4 million Templeton Prize include Mother Teresa, Aleksandr Solzhenitsyn, Charles Taylor, Jean Vanier, Archbishop Desmond Tutu, and the Dalai Lama.

The fifth organ in the history of the Basilica of the Sacred Heart was dedicated in January. The Wayne and Diana Murdy Family Organ, constructed by Paul Fritts & Company Organ Builders in Tacoma, Washington, includes 70 stops and 5,164 pipes. The previous Holtkamp Organ, installed in 1978, was donated to Saint Pius X Catholic Church in nearby Granger.

The importance of philosophy at Notre Dame is rooted in Congregation of Holy Cross founder Blessed Basil Moreau's belief that a student should be educated in mind, body, and spirit. Today the philosophy department is the largest in the United States.

The University's original Sacred Heart Church received a small reed organ in the 1850s. In 1865, Rev. Edward F. Sorin, C.S.C., approved the replacement of the first instrument with a hand-pumped organ of 1,500 pipes.

The Notre Dame Forum for 2016–17 examined the presidential campaign through the lens of debates over the years. It featured a panel in September composed of past debate moderators Jim Lehrer of PBS and Bob Schieffer of CBS, former League of Women Voters President Dorothy Ridings, and Janet Brown, executive director of the Commission on Presidential Debates. Other Forum events included debate watches and a mock student election leading up to the actual election in November.

Since its establishment in 2005 by Father Jenkins, the Notre Dame Forum has addressed timely topics from multiple perspectives. What began as a one-day event has since evolved into a year-long examination of a specific issue, with featured talks by leading authorities, classroom discussions, panels, workshops, symposia, and other events—all with the purpose of enlightening the campus community and elevating our dialogue. The first Forum explored the role of faith in a pluralistic society.

18th & 19th

RHODES SCHOLARS

Christa Grace Watkins, top, and Alexis Doyle, bottom

Two members of the Class of 2017, Christa Grace Watkins and Alexis Doyle, became the University's 18th and 19th Rhodes Scholars. Watkins, from Blacksburg, Virginia, was a philosophy major with a minor in philosophy, politics, and economics. She also was selected as a 2016 Truman Scholar. Doyle is from Los Altos, California, and majored in biological sciences and international peace studies. She was part of the Hesburgh Program in Public Service, the Glynn Family Honors Program, and was a Hesburgh-Yusko Scholar.

The first Rhodes Scholar from Notre Dame was Robert D. Shea, a 1922 graduate. Shea held an A.B. degree from Notre Dame, where he was active in his senior year as assistant editor of the *Juggler* and the organizer of the school's first golf tournament.

Rome

On a trip to Rome in June, Father Jenkins concelebrated Mass and met briefly with Pope Francis, followed by several meetings with key Vatican officials. In a conversation with Archbishop Paul Gallagher, Father Jenkins described the new Keough School for Global Affairs and the two discussed ways in which "Notre Dame can be of service to the Church in various parts of the world in which the University is present." Father Jenkins also met with Cardinal Giuseppe Versaldi, prefect of the Congregation for Catholic Education; Bishop Brian Farrell, L.C., secretary of the Pontifical Council for Promoting Christian Unity; and Archbishop Jean-Louis Brugues, O.P., archivist and librarian of the Holy Roman Church.

The University has enjoyed a long and productive relationship with the Vatican. Fifty years ago, Pope Paul VI entrusted to Notre Dame president Father Hesburgh the establishment of an ecumenical institute in Jerusalem (Tantur). Due to the Arab-Israeli conflict, the institute did not open until 1972. Today, it welcomes scholars from all faiths to study and learn from the various faith traditions. More recently, Pope John Paul II designated the Basilica of the Sacred Heart a minor basilica.

Purcell Pavilion at the Joyce Center was packed on the evening of September 12, 2016, when U.S. Supreme Court Justice Ruth Bader Ginsburg spoke on her life and career in a frank and often wryly humorous conversation with Judge Ann Claire Williams, a Notre Dame alumna and Trustee. She discussed the significant influence of her mother, her marriage to the late Marty Ginsburg, and today's partisan politics. When the 84-year-old jurist was asked how much longer she will serve on the nation's highest court, she said: "I used to say I planned on staying as long as Justice (Louis) Brandeis stayed … he was appointed when he was 60 … but he retired at 83, so I can't use that one anymore. My current answer is as long as I can do it full steam, and that means I have to take it year by year."

2017

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

BOARD OF TRUSTEES
UNIVERSITY OF NOTRE DAME DU LAC

We have audited the accompanying consolidated financial statements of the University of Notre Dame du Lac and its subsidiaries (the "University") which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of changes in unrestricted net assets, of changes in net assets, and of cash flows for the years then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Notre Dame du Lac and its subsidiaries as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chicago, Illinois
November 14, 2017

(in thousands)

	As of June 30	
	2017	**2016**
ASSETS		
Cash and cash equivalents	$ 80,255	$ 106,607
Accounts receivable, net *(Note 2)*	44,237	39,120
Deferred charges and other assets *(Note 3)*	84,869	50,127
Contributions receivable, net *(Note 4)*	526,991	569,271
Notes receivable, net *(Note 5)*	29,391	42,801
Investments *(Note 6)*	11,989,974	10,639,675
Land, buildings and equipment, net of accumulated depreciation *(Note 7)*	2,182,862	1,808,048
Total assets	$ 14,938,579	$ 13,255,649
LIABILITIES		
Accounts payable *(Note 7)*	$ 139,771	$ 90,974
Short-term borrowing *(Note 8)*	246,250	135,047
Deferred revenue and refundable advances *(Note 9)*	92,334	62,912
Deposits and other liabilities *(Note 10)*	145,928	158,441
Liabilities associated with investments *(Note 6)*	1,272,108	973,090
Obligations under split-interest agreements *(Note 16)*	166,481	152,610
Bonds and notes payable *(Note 11)*	866,035	882,608
Conditional asset retirement obligations *(Note 7)*	24,354	24,970
Pension and other postretirement benefit obligations *(Note 13)*	133,900	155,137
Government advances for student loans *(Note 5)*	26,008	29,850
Total liabilities	3,113,169	2,665,639
NET ASSETS		
Unrestricted *(Note 14)*	5,212,904	4,509,288
Temporarily restricted *(Note 14)*	4,313,071	3,944,489
Permanently restricted *(Note 14)*	2,299,435	2,136,233
Total net assets	11,825,410	10,590,010
Total liabilities and net assets	$ 14,938,579	$ 13,255,649

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

(in thousands)

	Years ended June 30	
	2017	**2016**
OPERATING REVENUES AND OTHER ADDITIONS		
Tuition and fees	$ 607,182	$ 570,591
Less: Tuition scholarships and fellowships	(287,422)	(263,849)
Net tuition and fees	319,760	306,742
Grants and contracts *(Note 17)*	133,176	127,152
Contributions	43,679	42,389
Accumulated investment return distributed *(Note 6)*	116,123	112,777
Sales and services of auxiliary enterprises	270,069	261,723
Other sources	52,740	54,986
Total operating revenues	935,547	905,769
Net assets released from restrictions *(Note 14)*	251,658	240,714
Total operating revenues and other additions	1,187,205	1,146,483
OPERATING EXPENSES		
Instruction	383,963	359,447
Research	129,668	123,725
Public service	37,293	29,133
Academic support	115,179	106,202
Student activities and services	53,274	52,903
General administration and support	218,183	211,633
Auxiliary enterprises	231,727	226,468
Total operating expenses	1,169,287	1,109,511
Increase in unrestricted net assets from operations	17,918	36,972
NON-OPERATING CHANGES IN UNRESTRICTED NET ASSETS		
Contributions	22,664	27,633
Investment income *(Note 6)*	29,986	31,269
Net gain/(loss) on investments *(Note 6)*	500,692	(74,840)
Accumulated investment return distributed *(Note 6)*	(116,123)	(112,777)
Net gain/(loss) on debt-related derivative instruments *(Note 12)*	59,649	(45,303)
Net assets released from restrictions *(Note 14)*	162,066	45,182
Net pension and postretirement benefits-related changes other than net periodic benefits costs *(Note 13)*	19,163	(19,276)
Other non-operating changes	7,601	(10,244)
Increase/(decrease) in unrestricted net assets from non-operating activities	685,698	(158,356)
Increase/(decrease) in unrestricted net assets	$ 703,616	$ (121,384)

See accompanying notes to consolidated financial statements.

(in thousands)

	Years ended June 30 2017	2016
UNRESTRICTED NET ASSETS		
Operating revenues and other additions	$ 1,187,205	$ 1,146,483
Operating expenses	(1,169,287)	(1,109,511)
Increase in unrestricted net assets from operations	17,918	36,972
Increase/(decrease) in unrestricted net assets from non-operating activities	685,698	(158,356)
Increase/(decrease) in unrestricted net assets	703,616	(121,384)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	140,658	103,360
Investment income *(Note 6)*	40,781	38,922
Net gain/(loss) on investments *(Note 6)*	603,595	(63,889)
Change in value of split-interest agreements *(Note 16)*	8,782	(4,312)
Net assets released from restrictions *(Note 14)*	(413,724)	(285,896)
Other changes in temporarily restricted net assets	(11,510)	(12,730)
Increase/(decrease) in temporarily restricted net assets	368,582	(224,545)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	155,834	279,332
Investment income *(Note 6)*	1,542	1,549
Net loss on investments *(Note 6)*	(1,313)	(578)
Change in value of split-interest agreements *(Note 16)*	2,496	(2,170)
Other changes in permanently restricted net assets	4,643	(17,003)
Increase in permanently restricted net assets	163,202	261,130
Increase/(decrease) in net assets	1,235,400	(84,799)
Net assets at beginning of year	10,590,010	10,674,809
Net assets at end of year	$ 11,825,410	$ 10,590,010

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended June 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets	$ 1,235,400	$ (84,799)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net (gain)/loss on investments	(1,102,974)	139,307
Contributions for long-term investment	(196,911)	(126,478)
Contributed securities	(104,013)	(92,542)
Proceeds from sales of securities contributed for operations	8,582	6,190
Depreciation	70,342	65,315
Loss on disposal of land, buildings and equipment	2,230	2,984
Change in contributions receivable	42,280	(135,803)
Change in value of split-interest agreements	(10,996)	6,756
Change in conditional asset retirement obligations	(616)	(41)
Change in pension and other postretirement benefit obligations	(21,237)	18,769
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(39,859)	7,575
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	29,766	31,867
Other, net	2,464	900
Net cash used by operating activities	(85,542)	(160,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	3,993,912	2,847,186
Purchases of investments	(4,083,753)	(2,937,917)
Purchases of land, buildings and equipment	(409,877)	(345,988)
Student and other loans granted	(6,658)	(3,483)
Student and other loans repaid	5,654	5,939
Net cash used by investing activities	(500,722)	(434,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment income restricted for non-operational purposes	5,409	3,663
Contributions for long-term investment	208,137	143,173
Proceeds from sales of securities contributed for long-term investment	94,536	80,944
Proceeds from short-term borrowing	1,220,736	787,603
Repayment of short-term borrowing	(1,109,533)	(697,571)
Payments to beneficiaries of split-interest agreements	(14,859)	(13,596)
Repayment of bonds and notes	(941)	(832)
Return of government advances for student loans	(3,894)	(92)
Cash accepted for investment on behalf of religious affiliates	183,631	214,976
Cash returned to religious affiliates	(23,310)	(20,991)
Net cash provided by financing activities	559,912	497,277
Net change in cash and cash equivalents	(26,352)	(96,986)
Cash and cash equivalents at beginning of year	106,607	203,593
Cash and cash equivalents at end of year	$ 80,255	$ 106,607
SUPPLEMENTAL DATA		
Interest paid	$ 36,720	$ 35,542

See accompanying notes to consolidated financial statements.

(All amounts in thousands)

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The University of Notre Dame du Lac is a private Catholic research university. The accompanying consolidated financial statements include the assets and operations of certain other entities under the financial control of the University of Notre Dame du Lac. The University of Notre Dame du Lac and entities included herein are referred to individually and collectively as the "University."

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

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

Temporarily Restricted Net Assets—Net assets subject to specific, donor-imposed restrictions that must be met by actions of the University and/or passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets. Subject to the University's endowment spending policy and any restrictions on use imposed by donors, accumulated investment returns on donor-restricted endowments are generally available for appropriation to support operational needs. Temporarily restricted contributions or investment returns received and expended within the same fiscal period are reported as increases in temporarily restricted net assets and net assets released from restrictions, respectively.

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

(All amounts in thousands)

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

Non-operating activities presented in the consolidated statements of changes in unrestricted net assets include unrestricted contributions designated by the University for endowment or investment in buildings and equipment, investment return in excess of or less than the amount distributed for operations under the spending policy, any gains or losses on debt-related derivative instruments, and certain net pension and postretirement benefits-related changes in net assets. Other non-operating changes in unrestricted net assets include the net activities of the consolidated limited liability company described in *Note 6* and *Note 11*, the effect of changes in donor intent with respect to endowment and other funds, and other activities considered unusual or non-recurring in nature. Non-operating net assets released from restrictions generally reflect the expenditure of net assets restricted to investment in land, buildings and equipment and other expirations of term restrictions.

GRANTS AND CONTRACTS

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

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 and dining halls, intercollegiate athletics, college stores and other campus retail operations. Auxiliary enterprise revenues and related expenses are reported as changes in unrestricted net assets.

CASH AND CASH EQUIVALENTS

Resources invested in money market funds, overnight reverse repurchase agreements and other 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. Overnight reverse repurchase agreements with banks are secured by U.S. government securities. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation limits.

(All amounts in thousands)

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at face value and typically have contractual maturities of less than one year.

CONTRIBUTIONS RECEIVABLE

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

NOTES RECEIVABLE

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

INVESTMENTS

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

Investments Held on Behalf of Other Entities

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

(All amounts in thousands)

DEBT-RELATED DERIVATIVE INSTRUMENTS

The University utilizes derivative instruments in a limited manner outside of its investment portfolio. As described in *Note 12*, interest rate swap agreements are used to manage interest rate risk associated with variable rate bond obligations. These instruments are reported in the consolidated statements of financial position at fair value. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. Any gains or losses resulting from changes in the fair value of these instruments or periodic net cash settlements with counterparties, including settlements related to the termination of such instruments, are recognized as non-operating changes in unrestricted net assets.

LAND, BUILDINGS AND EQUIPMENT

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

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

Conditional Asset Retirement Obligations

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

SPLIT-INTEREST AGREEMENTS

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

(All amounts in thousands)

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 14, 2017, the date the financial statements were issued. No events requiring disclosure were identified.

TAX STATUS

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

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014–09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)*. The ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which the entity expects to be entitled in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new lease guidance establishes a model under which lessees record a right-of-use asset and a lease liability for all leases with terms longer than 12 months. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permissible.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* The new pronouncement amends certain financial reporting requirements for not-for-profit entities, including revisions to the classification of net assets and expanded disclosure requirements concerning expenses and liquidity. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permissible.

The University is evaluating the impact of each of these new standards on its consolidated financial statements and has no current plans to adopt these new standards prior to their effective dates.

(All amounts in thousands)

NOTE 2.

ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at June 30:

	2017	2016
Research and other sponsored programs support	$ 24,195	$ 20,856
Student receivables	1,007	1,188
Other receivables	20,215	18,557
	45,417	40,601
Less allowances for uncollectible amounts	1,180	1,481
	$ 44,237	$ 39,120

NOTE 3.

DEFERRED CHARGES AND OTHER ASSETS

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

	2017	2016
Prepaid expenses	$ 27,063	$ 25,286
Retail and other inventories	7,723	7,858
Goodwill	6,455	6,455
Beneficial interests in perpetual trusts *(Note 14)*	5,556	5,235
Debt-related derivative instruments *(Note 12)*	32,985	-
Other deferred charges	5,087	5,293
	$ 84,869	$ 50,127

NOTE 4.

CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	$ 181,040	$ 179,544
One year to five years	305,550	348,588
More than five years	163,893	161,377
	650,483	689,509
Less:		
Unamortized discounts	102,773	104,767
Allowances for uncollectible amounts	20,719	15,471
	123,492	120,238
	$ 526,991	$ 569,271

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2017 and 2016. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2017 and 2016.

(All amounts in thousands)

Contributions receivable, net, are summarized by net asset classification as follows at June 30:

	2017	2016
Temporarily restricted for:		
Operating purposes	$ 44,195	$ 44,258
Investment in land, buildings and equipment	150,236	150,830
Funds functioning as endowment *(Note 15)*	29,983	33,866
Total temporarily restricted *(Note 14)*	224,414	228,954
Permanently restricted for endowment *(Notes 14 and 15)*	302,577	340,317
	$ 526,991	$ 569,271

As of June 30, 2017, the University had received documented conditional pledges of $32,330 which are not reflected in the accompanying consolidated financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 5.

NOTES RECEIVABLE

Notes receivable are summarized as follows at June 30:

	2017	2016
Student notes receivable, related to:		
Government sponsored loan programs	$ 25,082	$ 29,294
Institutional student loans	2,522	574
	27,604	29,868
Less allowances for uncollectible student notes	1,803	2,003
	25,801	27,865
Other notes receivable	3,590	14,936
	$ 29,391	$ 42,801

Government advances to the University for student loan funding, primarily under the Perkins Loan program, totaled $26,008 and $29,850 at June 30, 2017 and 2016, respectively. Due to significant restrictions that apply to government sponsored student loans, determining the fair value of student notes receivable is not practicable.

Total balances on student notes receivable in past due status were $2,738 and $2,667 at June 30, 2017 and 2016, respectively. The delinquent portions of these balances were $1,535 and $1,643, respectively. Activity within allowances for uncollectible student notes was insignificant.

A non-student note receivable in the amount of $14,637 associated with a New Markets Tax Credits structure was cancelled as planned during the year ended June 30, 2017, when the structure itself was unwound. The estimated fair value of non-student notes receivable approximated the carrying amount at June 30, 2017 and 2016.

(All amounts in thousands)

NOTE 6.

INVESTMENTS

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

	2017	2016
Notre Dame Endowment Pool assets	$ 11,727,618	$ 10,341,312
Other investments, associated with:		
Endowment and funds functioning as endowment	35,155	52,935
Working capital and other University designations	44,043	88,859
Split-interest agreements *(Note 16)*	10,656	9,354
Defined benefit pension plan *(Note 13)*	172,502	147,215
	262,356	298,363
	$ 11,989,974	$ 10,639,675

Liabilities associated with investments include the following at June 30:

	2017	2016
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	$ 1,099,606	$ 825,875
Defined benefit pension plan *(Note 13)*	172,502	147,215
	$ 1,272,108	$ 973,090

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

	2017	2016
NDEP assets	$ 11,727,618	$ 10,341,312
Equity interest in consolidated company[1]	66,529	66,127
NDEP net assets unitized	$ 11,794,147	$ 10,407,439

[1]*The University is the sole owner of a limited liability company, the assets and liabilities of which are reflected in the consolidated financial statements. However, the estimated fair value of the University's equity interest in the company, $66,529 and $66,127 at June 30, 2017 and 2016, respectively, is included in NDEP net assets for unitization purposes.*

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

	2017	2016
Endowment and funds functioning as endowment	$ 9,269,598	$ 8,279,404
Working capital and other University designations	1,177,985	1,080,206
Student loan funds	1,093	981
Split-interest agreements *(Note 16)*	245,865	220,973
Funds invested on behalf of religious affiliates[2]	1,099,606	825,875
	$ 11,794,147	$ 10,407,439

[2]*NDEP holdings were redeemable by religious affiliates at $5,247.36 and $4,723.10 per unit (whole dollars) at June 30, 2017 and 2016, respectively.*

(All amounts in thousands)

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

Investment assets are summarized in the following tables by asset class at June 30, 2017 and 2016, respectively:

	2017		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 419,802	$ 1,361	$ 421,163
Public equities	5,152,093	67,742	5,219,835
Private equity	3,128,110	7,117	3,135,227
Multi-strategy	3,027,613	13,634	3,041,247
	11,727,618	89,854	11,817,472
Defined benefit pension plan investments *(Note 13)*	-	172,502	172,502
	$ 11,727,618	$ 262,356	$ 11,989,974

	2016		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 364,166	$ 1,008	$ 365,174
Public equities	4,035,782	77,529	4,113,311
Private equity	3,022,737	6,828	3,029,565
Multi-strategy	2,918,627	65,783	2,984,410
	10,341,312	151,148	10,492,460
Defined benefit pension plan investments *(Note 13)*	-	147,215	147,215
	$ 10,341,312	$ 298,363	$ 10,639,675

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

(All amounts in thousands)

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

	2017	2016
Public equities	$ 96,008	$ 120,005
Private equity	1,501,626	1,475,109
Multi-strategy	711,699	459,629
	$ 2,309,333	$ 2,054,743

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2017 and 2016, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2017				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 421,163	$ -	$ -	$ -	$ 421,163
Public equities:					
U.S.	1,358,023	-	-	778,961	2,136,984
Non-U.S.	555,919	-	-	1,159,755	1,715,674
Long/short strategies	-	-	-	1,367,177	1,367,177
Private equity	-	-	34,293	3,100,934	3,135,227
Multi-strategy:					
Opportunistic	80,666	-	154,279	1,452,713	1,687,658
Core diversifiers	-	-	-	726,157	726,157
Fixed income	163,677	182,568	3,575	277,612	627,432
	$ 2,579,448	$ 182,568	$ 192,147	$ 8,863,309	$ 11,817,472

	2016				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 356,292	$ 8,882	$ -	$ -	$ 365,174
Public equities:					
U.S.	983,965	-	-	541,725	1,525,690
Non-U.S.	245,711	-	-	981,324	1,227,035
Long/short strategies	-	-	-	1,360,586	1,360,586
Private equity	-	-	6,828	3,022,737	3,029,565
Multi-strategy:					
Opportunistic	80,266	-	119,573	1,488,402	1,688,241
Core diversifiers	-	-	-	710,357	710,357
Fixed income	154,441	163,528	1,254	266,589	585,812
	$ 1,820,675	$ 172,410	$ 127,655	$ 8,371,720	$ 10,492,460

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

(All amounts in thousands)

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

At June 30, 2017 and 2016, the fair value of a Level 3 partnership investment in the opportunistic class was measured using a discounted cash flow technique, the significant unobservable input to which is the discount rate (10%). The fair value of the investment was $151,859 and $112,708 at June 30, 2017 and 2016, respectively.

At June 30, 2017, an investment in the private equity class was pending sale in a secondary market. The $27,176 fair value of this asset was measured at June 30, 2017, based on the agreed upon sale price and is reported within Level 3. The fair value of this asset had been measured previously at NAV, and is thus reflected as a transfer into Level 3 in the table that follows.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2017:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gain*	*Transfer in*	*Ending balance*
Private equity	$ 6,828	$ 208	$ (310)	$ 391	$ 27,176	$ 34,293
Multi-strategy:						
Opportunistic	119,573	34,310	(3,580)	3,976	-	154,279
Fixed income	1,254	3,701	(1,418)	38	-	3,575
	$ 127,655	$ 38,219	$ (5,308)	$ 4,405	$ 27,176	$ 192,147

During the year ended June 30, 2017, the University recognized net unrealized gains of $5,910 on investments still held at June 30, 2017, for which fair value is measured using Level 3 inputs. There were no transfers involving Levels 1 or 2 during the year ended June 30, 2017.

(All amounts in thousands)

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2016:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized loss*	*Ending balance*
Private equity	$ 3,133	$ 4,039	$ (204)	$ (140)	$ 6,828
Multi-strategy:					
Opportunistic	138,350	12,950	(1,023)	(30,704)	119,573
Fixed income	1,770	1,173	(1,643)	(46)	1,254
	$ 143,253	$ 18,162	$ (2,870)	$ (30,890)	$ 127,655

During the year ended June 30, 2016, the University recognized net unrealized losses of $30,701 on investments still held at June 30, 2016, for which fair value is measured using Level 3 inputs. There were no transfers between levels during the year ended June 30, 2016.

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

INVESTMENT RETURN

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

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2017** *Total*	**2016** *Total*
Income, net	$ 29,986	$ 40,781	$ 1,542	$ 72,309	$ 71,740
Net gain/(loss):					
Realized	226,071	296,029	(1,515)	520,585	356,239
Unrealized	274,621	307,566	202	582,389	(495,546)
	500,692	603,595	(1,313)	1,102,974	(139,307)
	$ 530,678	$ 644,376	$ 229	$ 1,175,283	$ (67,567)

Investment income is reported net of related expenses of $50,754 and $38,591 for the years ended June 30, 2017 and 2016, respectively. Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations.

(All amounts in thousands)

A portion of accumulated investment returns is distributed annually to beneficiary programs under the University's endowment spending policy. In addition, a portion of unrestricted returns accumulated on working capital and other assets is distributed to supplement the University's general operating needs and other initiatives. Accumulated investment return distributed is summarized by source as follows for the years ended June 30:

	Unrestricted		*Temporarily*	**2017**	**2016**
	Operating	*Non-operating*	*restricted*	*Total*	*Total*
Endowment *(Note 15)*	$ 101,762	$ 20,049	$ 232,848	$ 354,659	$ 307,069
Working capital	14,361	-	-	14,361	37,622
	$ 116,123	$ 20,049	$ 232,848	$ 369,020	$ 344,691

NOTE 7.

LAND, BUILDINGS AND EQUIPMENT

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

	2017	**2016**
Land and land improvements	$ 166,196	$ 157,006
Buildings	1,879,168	1,636,239
Equipment	314,392	285,334
Construction in progress	621,762	463,595
	2,981,518	2,542,174
Less accumulated depreciation	798,656	734,126
	$ 2,182,862	$ 1,808,048

Depreciation expense was $70,342 and $65,315 for the years ended June 30, 2017 and 2016, respectively.

The University recorded accounts payable associated with construction in progress costs of $98,247 and $62,307 at June 30, 2017 and 2016, respectively.

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

	2017	**2016**
Beginning of year	$ 24,970	$ 25,011
Obligations settled	(1,493)	(920)
Accretion expense	877	879
End of year	$ 24,354	$ 24,970

(All amounts in thousands)

NOTE 8.

SHORT-TERM BORROWING

The University maintains a $200,000 commercial paper program under which it may issue either standard or extendible municipal commercial paper through St. Joseph County, Indiana, on behalf of the University. Standard municipal commercial paper issues are supported by a $200,000 standby credit facility with a major commercial bank. Interest on commercial paper may be either taxable or tax-exempt to investors, depending on the University's intended use of the proceeds. During the years ending June 30, 2017 and 2016, the University issued only taxable commercial paper for working capital purposes.

The University also maintains unsecured lines of credit with commercial banks in the aggregate amount of $325,000 to be utilized primarily for working capital purposes. Termination dates on lines of credit available at June 30, 2017, ranged from January 2018 to January 2021.

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

	2017	2016
Standard taxable commercial paper	$ 95,250	$ 80,047
Lines of credit	151,000	55,000
	$ 246,250	$ 135,047

Total interest costs incurred on short-term borrowing were approximately $1,329 and $293 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9.

DEFERRED REVENUE AND REFUNDABLE ADVANCES

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

	2017	2016
Deferred ticket sales and other revenues from intercollegiate athletics	$ 47,895	$ 25,148
Deferred tuition and other student revenues	18,385	13,342
Refundable advances for research and other sponsored programs	19,874	22,408
Other deferred revenues	6,180	2,014
	$ 92,334	$ 62,912

NOTE 10.

DEPOSITS AND OTHER LIABILITIES

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

	2017	2016
Accrued compensation and employee benefits	$ 60,697	$ 58,277
Payroll and other taxes payable	13,958	12,484
Accrued interest expense	11,624	11,868
Debt-related derivative instruments *(Note 12)*	21,451	48,115
Student organization funds and other deposits	4,967	6,333
Self-insurance reserves	5,472	6,358
Pledges payable	7,350	1,200
Other liabilities	20,409	13,806
	$ 145,928	$ 158,441

(All amounts in thousands)

NOTE 11.

BONDS AND NOTES PAYABLE

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

	2017	2016
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 660,000	$ 660,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds[1]	160,578	160,775
Mortgage notes payable	-	15,435
	820,578	836,210
Obligations of consolidated company:		
Mortgage note payable	45,457	46,398
	$ 866,035	$ 882,608

[1]*Includes the unamortized Series 2009 bond premium of $6,123 and $6,320 at June 30, 2017 and 2016, respectively.*

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

2018	$ 829
2019	941
2020	980
2021	1,021
2022	1,064
Thereafter	855,077
	$ 859,912

TAXABLE FIXED RATE BONDS

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

	Fiscal year of maturity	*Rate of interest*	2017	2016
Series 2010	2041	4.90%	$ 160,000	$ 160,000
Series 2012	2043	3.72%	100,000	100,000
Series 2015	2045	3.44%	400,000	400,000
			$ 660,000	$ 660,000

Interest costs incurred on Taxable Fixed Rate Bonds were $25,312 during the years ended June 30, 2017 and 2016.

(All amounts in thousands)

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

The proceeds from St. Joseph County (Indiana) Educational Facilities Revenue Bonds ("SJC bonds") were restricted to the campus facilities projects specified in the respective offering documents. SJC bonds represent general obligations of the University and are not collateralized by any facilities. Interest on SJC bonds is tax-exempt to investors. The following fixed rate issues were outstanding at June 30:

	Year of maturity	*Rate of interest*	**2017**	**2016**
Series 1996	2026	6.50%	$ 7,890	$ 7,890
Series 2009[1]	2036	5.00%	152,688	152,885
			$ 160,578	$ 160,775

[1]*Carrying amount includes the unamortized premium of $6,123 and $6,320 at June 30, 2017 and 2016, respectively.*

Interest costs incurred on SJC bonds were $7,644 and $7,653, respectively, for the years ended June 30, 2017 and 2016. Interest costs include $197 and $188 in amortization of the Series 2009 premium for the years ended June 30, 2017 and 2016, respectively. The premium is amortized using the effective interest method over the period the bonds are outstanding.

MORTGAGE NOTES

Mortgage notes in the amount of $15,435 associated with a New Markets Tax Credits structure were cancelled as planned during the year ended June 30, 2017, when the structure itself was unwound. The University incurred interest costs of $106 and $173 on the notes during the years ended June 30, 2017 and 2016, respectively.

The University is the sole owner of a limited liability company, the activities of which are reflected in the University's consolidated financial statements. The company's assets consist primarily of real estate, the acquisition of which was financed in part with a note payable. Under the terms, the note bears interest at a fixed rate of 4.11 percent, and is due on February 1, 2025. The note is not a general obligation of the University and is fully collateralized by the property mortgaged. Interest costs of $1,888 and $1,923 related to the note are reflected within non-operating changes in unrestricted net assets for the years ended June 30, 2017 and 2016, respectively.

(All amounts in thousands)

NOTE 12.

DERIVATIVE INSTRUMENTS

The University utilizes interest rate swap agreements to manage interest rate risk associated with variable rate bonds. Although the University currently has no outstanding variable rate bonds, the University has entered into several forward starting swap agreements in anticipation of future bond issues. Under the terms of the swap agreements in effect at June 30, 2017, the University would pay fixed rates ranging from 1.66 percent to 7.10 percent and receive variable rates equal to 100 percent of the one-month or three-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $354,894 beginning March 1, 2018. The University also utilizes a variety of derivative instruments within the NDEP, including certain options contracts, forward currency contracts and futures contracts, the balances and activity for which are insignificant.

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

The debt-related interest rate swaps described above have credit-risk-related contingent features that could require the University to post collateral on instruments in net liability positions in the event of a downgrade to the rating on the University's debt. The aggregate fair value of interest rate swaps with credit-risk-related contingent features that were in liability positions was $21,451 and $48,115 at June 30, 2017 and 2016, respectively. If the credit-risk-related contingent features associated with these instruments had been triggered, the University would have been required to post collateral to its counterparties in an amount up to the full liability position of the instruments, depending on the level of the University's credit rating. Based on the quality of its credit rating, the University had posted no collateral associated with these instruments at June 30, 2017.

The notional amounts and estimated fair values of debt-related interest rate swaps at June 30, 2017 and 2016, respectively, are summarized below along with net gains and losses for the respective years then ended:

		2017		2016
Notional amounts	$	354,894	$	154,894
Fair value, as reflected in the statements of financial position:				
Deferred charges and other assets *(Note 3)*	$	32,985	$	-
Deposits and other liabilities *(Note 10)*	$	21,451	$	48,115

Fair value measurements are based on observable interest rates that would fall within Level 2 of the hierarchy of fair value inputs. Gross and net-by-counterparty derivative assets and liabilities were the same at June 30, 2017 and 2016.

The net gain or loss on debt-related interest rate swaps reflects changes in fair value. A net gain of $59,649 and net loss of $45,303 were reported within non-operating changes in unrestricted net assets for the years ended June 30, 2017 and 2016, respectively. No periodic settlements were required during the years ended June 30, 2017 and 2016.

NOTE 13.

PENSION AND OTHER POSTRETIREMENT BENEFITS

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty and exempt staff participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operated under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also participate in the plan on a voluntary basis by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan, and may direct their contributions and the University's contributions on their behalf to plan investments. The University's share of the cost of these benefits was $32,956 and $31,501 for the years ended June 30, 2017 and 2016, respectively.

DEFINED BENEFIT PENSION PLAN AND POSTRETIREMENT MEDICAL INSURANCE BENEFITS

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

(All amounts in thousands)

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

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

	2017	2016
Liability for pension benefits:		
PBO at end of year	$ 256,819	$ 252,889
Less: Fair value of plan assets at end of year *(Note 6)*	172,502	147,215
	84,317	105,674
Liability for other postretirement benefits (APBO at year end)	49,583	49,463
	$ 133,900	$ 155,137

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2017	2016	2017	2016
Beginning of year	$ 252,889	$ 246,470	$ 49,463	$ 45,676
Service cost	8,323	8,271	2,639	2,514
Interest cost	9,897	10,957	1,853	1,951
Actuarial loss/(gain)	(5,968)	2,861	(3,286)	335
Benefit payments	(8,322)	(15,670)	(1,086)	(1,013)
End of year	$ 256,819	$ 252,889	$ 49,583	$ 49,463

The accumulated benefit obligation associated with pension benefits was $230,594 and $224,086 at June 30, 2017 and 2016, respectively.

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

	2017	2016
Fair value of plan assets at beginning of year	$ 147,215	$ 155,778
Actual return on plan assets	18,109	(3,643)
Employer contributions	15,500	10,750
Benefit payments	(8,322)	(15,670)
Fair value of plan assets at end of year	$ 172,502	$ 147,215

(All amounts in thousands)

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

	Pension benefits		*Other postretirement benefits*	
	2017	**2016**	**2017**	**2016**
Service cost	$ 8,323	$ 8,271	$ 2,639	$ 2,514
Interest cost	9,897	10,957	1,853	1,951
Expected return on plan assets	(10,574)	(11,078)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	5,324	4,675	1,028	1,209
Amortization of prior service cost/(credit)	432	432	(4,410)	(7,675)
	5,756	5,107	(3,382)	(6,466)
	$ 13,402	$ 13,257	$ 1,110	$ (2,001)

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

Gains or losses and other changes in the actuarially determined benefit obligations arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statements of changes in unrestricted net assets. These changes are reflected net of a contra-expense adjustment for amounts recognized previously, but included as components of net periodic benefit cost in the current period. Accordingly, the net non-operating change in unrestricted net assets related to pension and other postretirement benefits is summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2017	**2016**	**2017**	**2016**
Net actuarial gain/(loss)	$ 13,503	$ (17,582)	$ 3,286	$ (335)
Adjustment for components of net periodic benefit cost recognized previously	5,756	5,107	(3,382)	(6,466)
	$ 19,259	$ (12,475)	$ (96)	$ (6,801)

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

	Pension benefits		*Other postretirement benefits*	
	2017	**2016**	**2017**	**2016**
Net loss	$ 71,033	$ 89,860	$ 12,331	$ 16,645
Prior service cost/(credit)	1,397	1,829	(109)	(4,519)
	$ 72,430	$ 91,689	$ 12,222	$ 12,126

(All amounts in thousands)

The University expects to amortize the following as components of net periodic benefit cost during the year ending June 30, 2018:

	Pension benefits	*Other postretirement benefits*
Net loss	$ 4,669	$ 801
Prior service cost/(credit)	432	(78)

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

	Pension benefits		*Other postretirement benefits*	
	2017	**2016**	**2017**	**2016**
Discount rate	4.00%	4.00%	4.00%	4.00%
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 5.00% in 2024)			7.50%	7.50%

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

	Pension benefits		*Other postretirement benefits*	
	2017	**2016**	**2017**	**2016**
Discount rate	4.00%	4.50%	4.00%	4.50%
Expected long-term rate of return on plan assets	6.75%	7.00%		
Rate of compensation increase	3.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2023)			7.50%	7.50%

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

A one-percentage-point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO associated with postretirement medical benefits by approximately $156 and $933, respectively. A one-percentage-point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately $139 and $851, respectively.

(All amounts in thousands)

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2017, are as follows:

	Pension benefits	*Other postretirement benefits*
2018	$ 8,921	$ 1,593
2019	9,577	1,841
2020	10,253	2,104
2021	11,004	2,402
2022	11,833	2,678

Projected aggregate payments for pension benefits and other postretirement benefits for the five year period ending June 30, 2027, are $71,655 and $17,056, respectively. The University's estimated contributions to the defined benefit pension plan for the year ending June 30, 2018, are $12,000.

DEFINED BENEFIT PENSION PLAN ASSETS

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

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

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

	2017	**2016**	**Target**
Short-term investments	2.5%	2.7%	0.0%
Public equities	53.7%	49.1%	50.0%
Fixed income	16.7%	18.9%	15.0%
Hedge funds	17.0%	18.2%	20.0%
Private equity	8.2%	8.7%	10.0%
Real assets	1.9%	2.4%	5.0%
	100.0%	100.0%	100.0%

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

(All amounts in thousands)

The role of each asset class within the overall asset allocation of the plan is described as follows:

Public equities—Provides access to liquid markets and serves as a long-term hedge against inflation.

Fixed income—Provides a stable income stream and greater certainty of nominal cash flow relative to the other asset classes. Given the low correlation to other asset classes, fixed income assets also enhance diversification and serve as a hedge against financial turmoil or periods of deflation.

Hedge funds—Enhances diversification while providing equity-like returns and opportunities to benefit from short-term inefficiencies in global capital markets.

Private equity—Provides attractive long-term, risk-adjusted returns by investing in inefficient markets.

Real assets—Provides attractive return prospects, further diversification and a hedge against inflation.

Fair value measurements of plan investments at June 30, 2017 and 2016, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2017				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 4,313	$ -	$ -	$ -	$ 4,313
Public equities:					
U.S.	43,225	-	-	10,936	54,161
Non-U.S.	14,193	-	-	24,321	38,514
Fixed income	28,775	-	-	-	28,775
Hedge funds	-	-	-	29,244	29,244
Private equity	-	-	-	14,127	14,127
Real assets	1,303	-	-	2,065	3,368
	$ 91,809	$ -	$ -	$ 80,693	$ 172,502

	2016				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 3,924	$ -	$ -	$ -	$ 3,924
Public equities:					
U.S.	31,597	-	-	10,089	41,686
Non-U.S.	10,957	-	-	19,648	30,605
Fixed income	27,825	-	-	-	27,825
Hedge funds	-	-	-	26,813	26,813
Private equity	-	-	-	12,796	12,796
Real assets	811	-	-	2,755	3,566
	$ 75,114	$ -	$ -	$ 72,101	$ 147,215

The plan is committed under contracts with certain investment managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Total commitments of $17,097 and $8,909 were uncalled at June 30, 2017 and 2016, respectively.

(All amounts in thousands)

NOTE 14.

NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2017	2016
Endowment funds *(Note 15)*	$ 3,622,191	$ 3,271,895
Other unrestricted net assets	1,590,713	1,237,393
	$ 5,212,904	$ 4,509,288

Temporarily restricted net assets are summarized as follows at June 30:

	2017	2016
Expendable funds restricted for:		
Operating purposes	$ 179,706	$ 176,622
Investment in land, buildings and equipment	268,417	338,948
Split-interest agreements *(Note 16)*	69,974	62,029
Endowment funds *(Note 15)*:		
Accumulated appreciation on donor-restricted endowment	3,276,086	2,901,492
Funds functioning as endowment	518,888	465,398
	3,794,974	3,366,890
	$ 4,313,071	$ 3,944,489

As described in *Note 4*, temporarily restricted net assets include contributions receivable of $224,414 and $228,954 at June 30, 2017 and 2016, respectively.

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

	2017	2016
For operations:		
Scholarships and fellowships awarded	$ 91,488	$ 89,041
Expenditures for operating purposes	160,170	151,673
	251,658	240,714
For long-term investment	162,066	45,182
	$ 413,724	$ 285,896

Permanently restricted net assets consist of the following at June 30:

	2017	2016
Endowment funds *(Note 15)*	$ 2,267,771	$ 2,109,481
Student loan funds	2,669	2,522
Split-interest agreements *(Note 16)*	23,439	18,995
Beneficial interests in perpetual trusts *(Note 3)*	5,556	5,235
	$ 2,299,435	$ 2,136,233

As reflected in *Notes 4* and *15*, permanently restricted endowment funds include $302,577 and $340,317 in contributions receivable at June 30, 2017 and 2016, respectively.

(All amounts in thousands)

NOTE 15.

ENDOWMENT

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

Endowment and funds functioning as endowment at June 30, 2017, are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 508,597	$ 1,365,850	$ 775,685	$ 2,650,132
Academic, religious and student programs	422,222	821,507	625,305	1,869,034
Faculty chairs	146,041	1,071,507	357,684	1,575,232
Capital projects	623,517	85,647	703	709,867
Athletics	133,663	101,608	31,915	267,186
Libraries	9,341	188,569	47,313	245,223
General operations	1,401,334	82,022	27,957	1,511,313
Other	377,476	48,281	98,632	524,389
	3,622,191	3,764,991	1,965,194	9,352,376
Contributions receivable *(Note 4)*	-	29,983	302,577	332,560
	$ 3,622,191	$ 3,794,974	$ 2,267,771	$ 9,684,936

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ -	$ 3,764,991	$ 1,965,194	$ 5,730,185
University-designated funds	3,622,191	-	-	3,622,191
	3,622,191	3,764,991	1,965,194	9,352,376
Contributions receivable *(Note 4)*	-	29,983	302,577	332,560
	$ 3,622,191	$ 3,794,974	$ 2,267,771	$ 9,684,936

Endowment and funds functioning as endowment at June 30, 2016, are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 474,570	$ 1,223,684	$ 702,283	$ 2,400,537
Academic, religious and student programs	352,549	703,650	519,693	1,575,892
Faculty chairs	128,023	950,877	334,253	1,413,153
Capital projects	542,975	74,050	670	617,695
Athletics	124,863	92,686	26,939	244,488
Libraries	8,727	168,721	45,977	223,425
General operations	1,279,736	75,829	27,123	1,382,688
Other	360,452	43,527	112,226	516,205
	3,271,895	3,333,024	1,769,164	8,374,083
Contributions receivable *(Note 4)*	-	33,866	340,317	374,183
	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266

(All amounts in thousands)

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ -	$ 3,333,024	$ 1,769,164	$ 5,102,188
University-designated funds	3,271,895	-	-	3,271,895
	3,271,895	3,333,024	1,769,164	8,374,083
Contributions receivable *(Note 4)*	-	33,866	340,317	374,183
	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. There was no such unrealized depreciation at June 30, 2017, and June 30, 2016.

Endowment funds are invested primarily in the NDEP, described in *Note 6*. However, certain funds are invested outside of the NDEP in accordance with donor requirements and other considerations.

Changes in endowment and funds functioning as endowment for the years ended June 30, 2017 and 2016, respectively, are summarized as follows:

	2017			
	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Beginning of the year	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266
Contributions	8,674	2,518	153,291	164,483
Investment return:				
Investment income	25,771	38,564	1,533	65,868
Net gain/(loss) on investments	396,312	603,405	(1,426)	998,291
Accumulated investment return distributed *(Note 6)*	(121,811)	(232,848)	-	(354,659)
Other changes, net[1]	41,350	16,445	4,892	62,687
	$ 3,622,191	$ 3,794,974	$ 2,267,771	$ 9,684,936

	2016			
	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Beginning of the year	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381
Contributions	9,897	24,016	277,668	311,581
Investment return:				
Investment income	25,528	38,026	1,543	65,097
Net loss on investments	(40,551)	(63,851)	(565)	(104,967)
Accumulated investment return distributed *(Note 6)*	(92,946)	(214,123)	-	(307,069)
Other changes, net[1]	28,695	(12,613)	(16,839)	(757)
	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266

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

(All amounts in thousands)

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

Accumulated investment return distributed (i.e., appropriated) under the University's endowment spending policy is summarized below by the purposes associated with applicable funds for the years ended June 30:

	Unrestricted	*Temporarily restricted*	**2017** *Total*	**2016** *Total*
Operating purposes:				
Scholarships and fellowships	$ 22,705	$ 93,804	$ 116,509	$ 108,275
Academic, religious and student programs	5,675	58,986	64,661	56,795
Faculty chairs	6,207	59,472	65,679	61,474
Athletics	6,066	5,807	11,873	10,736
Libraries	424	9,102	9,526	9,023
General operations	59,492	4,979	64,471	41,126
Other	1,193	669	1,862	1,822
	101,762	232,819	334,581	289,251
Capital projects	20,049	29	20,078	17,818
	$ 121,811	$ 232,848	$ 354,659	$ 307,069

NOTE 16.

SPLIT-INTEREST AGREEMENTS

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

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	**2017** *Total*	**2016** *Total*
Charitable trust assets, held in:					
NDEP *(Note 6)*	$ -	$ 157,350	$ 88,515	$ 245,865	$ 220,973
Other investments *(Note 6)*	-	7,220	3,436	10,656	9,354
	-	164,570	91,951	256,521	230,327
Less obligations[1] associated with:					
Charitable trusts	-	92,117	64,594	156,711	142,977
Charitable gift annuities	3,373	2,479	3,918	9,770	9,633
	3,373	94,596	68,512	166,481	152,610
	$ (3,373)	$ 69,974	$ 23,439	$ 90,040	$ 77,717

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

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust and based on the nature of the agreements are designated as funds functioning as endowment. The aggregate fair value of these assets was $31,897 and $28,001 at June 30, 2017 and 2016, respectively.

(All amounts in thousands)

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

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2017** *Total*	**2016** *Total*
Beginning of the year	$ (3,307)	$ 62,029	$ 18,995	$ 77,717	$ 77,339
Contributions:					
Assets received	320	8,270	7,455	16,045	25,139
Discounts recognized[1]	(193)	(6,121)	(4,912)	(11,226)	(16,695)
	127	2,149	2,543	4,819	8,444
Change in value of agreements:					
Investment return, net	-	18,389	10,111	28,500	(1,358)
Payments to beneficiaries	(410)	(8,969)	(5,480)	(14,859)	(13,596)
Actuarial adjustments and other changes in obligations	128	(638)	(2,135)	(2,645)	8,198
	(282)	8,782	2,496	10,996	(6,756)
Transfers and other changes, net	89	(2,986)	(595)	(3,492)	(1,310)
	$ (3,373)	$ 69,974	$ 23,439	$ 90,040	$ 77,717

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

NOTE 17.

GRANTS AND CONTRACTS

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

	Direct	*Indirect*	**2017** *Total*	**2016** *Total*
Provided for:				
Research	$ 94,191	$ 24,462	$ 118,653	$ 113,080
Other sponsored programs	14,073	450	14,523	14,072
	$ 108,264	$ 24,912	$ 133,176	$ 127,152

	Direct	*Indirect*	**2017** *Total*	**2016** *Total*
Provided by:				
Federal agencies	$ 77,454	$ 21,926	$ 99,380	$ 94,036
State and local agencies	748	55	803	942
Private organizations	30,062	2,931	32,993	32,174
	$ 108,264	$ 24,912	$ 133,176	$ 127,152

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

(All amounts in thousands)

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $14,651 for the year ended June 30, 2017, including $6,836 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2016, were $13,329, including $5,794 in ROTC scholarships.

NOTE 18.

CONTINGENCIES AND COMMITMENTS

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

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

The University leases space for academic and administrative purposes under noncancelable operating leases. Minimum future payments under these lease agreements are summarized by fiscal year as follows:

2018	$	2,864
2019		2,847
2020		2,896
2021		2,739
2022		2,749
2023 through 2081		60,758
	$	74,853

At June 30, 2017, the University also has contractual commitments of approximately $129,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $230,000.

as of June 30, 2017

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