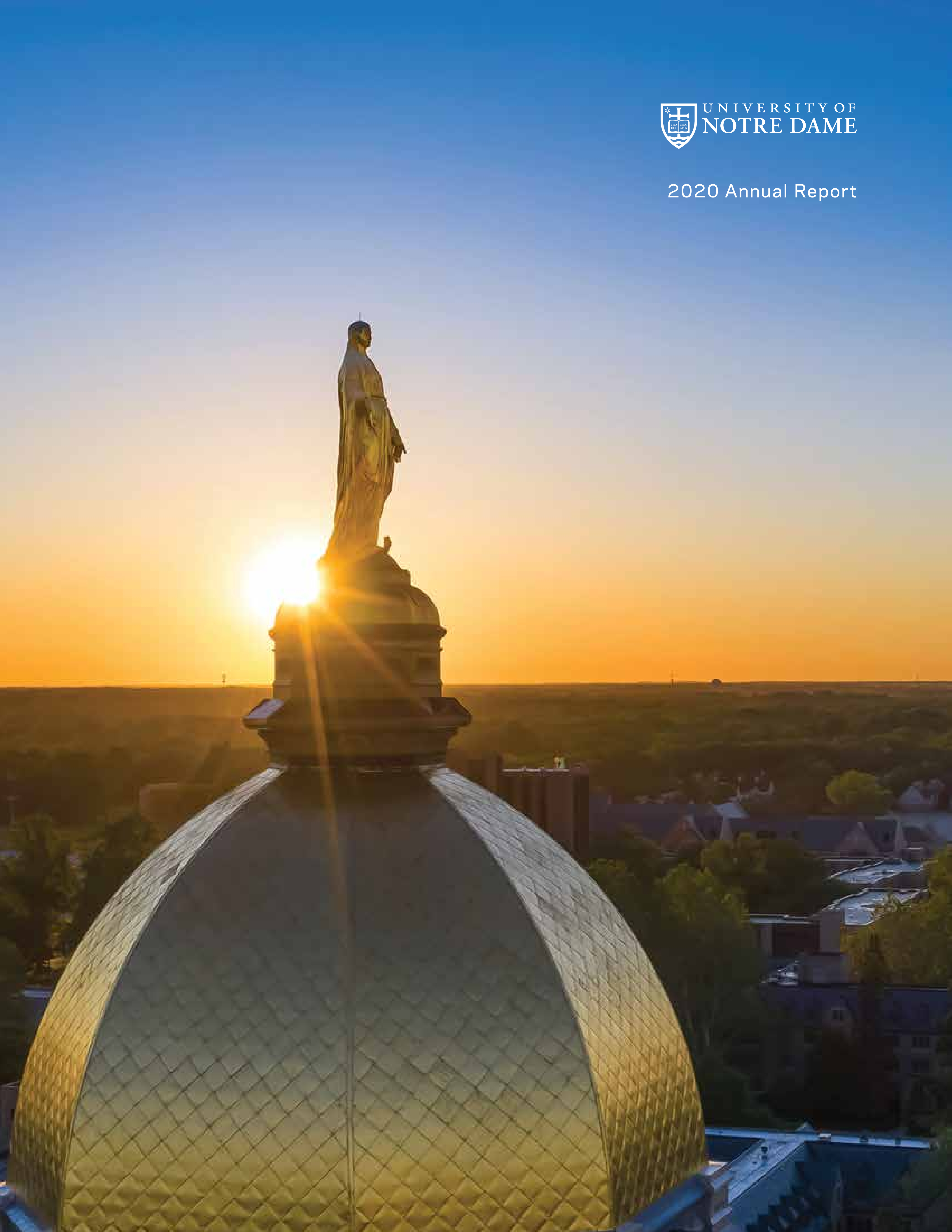


UNIVERSITY OF NOTRE DAME

2020 Annual Report

2020 Annual Report
Contents

We remain poised to respond to new, unprecedented challenges and opportunities as they arise, ever vigilant in today's rapidly changing environment.

Message from the **President**

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

By the end of the third quarter of fiscal 2020, the coronavirus pandemic had swept across the U.S. and the world, shuttering factories, schools, airlines, mass transit, restaurants, and retail outlets of every description. Universities were not spared. In early March, we evacuated our students in study-abroad programs in Rome and other parts of the globe, paying the airfares for all of those students returning from abroad. A week later, we instructed all of our students to remain home and not return to campus from spring break, and we asked our faculty and students to make the transition to online learning for the rest of the semester.

With students away from campus and many of our faculty and staff moving to remote work, the spread of coronavirus was not the primary issue, but the buffeting by its related fiscal storms was. We credited or refunded $22 million in room and board charges for the balance of the semester. We continued to house international students, who were stranded by the pandemic, and low-income or at-risk students unable to return to safe learning environments. We packed and shipped student laptops and other materials essential for continued learning, and put in place a plan to allow students or their families to return to campus to retrieve the rest of students' belongings. The University absorbed the costs of these operations. Further, revenue from the Hammes Notre Dame Bookstore, the Morris Inn, restaurants, and other auxiliary services plummeted, as did revenues from summer classes and camps.

Redeploying some employees to assist with the University's coronavirus response, we found the resources to continue operations without resorting to furloughs, layoffs, or reductions in benefits. In response to the economic upheaval that the pandemic would visit on many Notre Dame families, we were able to provide the additional financial aid that was needed. By the close of the fiscal year, we had managed to balance the budget. Supported by robust health and safety protocols, we put plans in place to reopen campus in August 2020 with in-person classes for all of our students. We continued construction of Remick Family Hall, which will house the University's Institute for Educational Initiatives and Alliance for Catholic Education; McKenna Hall, a new state-of-the-art conference center and home for the Enrollment Division; and a hydroelectric plant that Notre Dame is building on the St. Joseph River in partnership with the City of South Bend.

Perhaps the most important and exciting development for the University in spring 2020 was the election by the University's Board of Trustees of Marie Lynn Miranda as Notre Dame's Provost. Succeeding Tom Burish, who provided invaluable leadership for 15 years, Marie Lynn brings tremendous energy and vision, as well as a wealth of administrative experience. A distinguished scholar and researcher in the field of children's environmental health, she is a leader in the rapidly evolving field of geospatial health informatics. We are truly delighted to welcome Marie Lynn to her new role.

Thanks to the steady guidance of our Board of Trustees and the dedicated, careful stewardship of our executive team, especially our Executive Vice President, Shannon Cullinan, the University not only survived the many challenges of 2020 but continued to grow and flourish. In keeping with our distinctive mission, we were able to continue to offer our students a superb, holistic education—intellectually, physically, and spiritually—and to support our faculty and scholars in their exceptional teaching and groundbreaking research. We remain poised to respond to new, unprecedented challenges and opportunities as they arise, ever vigilant in today's rapidly changing environment.

Statistical Highlights

	Academic Years Ending May				
	2020	2019	2018	2017	2016
Students					
Undergraduate	8,732	8,617	8,576	8,530	8,462
Graduate and professional	3,951	3,990	3,891	3,863	3,830
Total fall enrollment	12,683	12,607	12,467	12,393	12,292
Admissions					
Undergraduate					
Applications	22,200	20,371	19,564	19,505	18,157
Offers of admission	3,515	3,608	3,702	3,654	3,595
Enrolled	2,051	2,070	2,051	2,046	2,007
Selectivity	15.8%	17.7%	18.9%	18.7%	19.8%
Yield	58.3%	57.4%	55.4%	56.0%	55.8%
Graduate School[1]					
Master's level					
Applications	1,445	1,415	1,453	1,157	1,406
Offers of admission	330	286	257	171	243
Enrolled	216	190	190	111	151
Selectivity	22.8%	20.2%	17.7%	14.8%	17.3%
Yield	65.5%	66.4%	73.9%	64.9%	62.1%
Doctoral level					
Applications	3,970	3,790	3,749	3,390	3,617
Offers of admission	735	730	690	648	679
Enrolled	323	321	345	301	325
Selectivity	18.5%	19.3%	18.4%	19.1%	18.8%
Yield	43.9%	44.0%	50.0%	46.5%	47.9%
Degrees Conferred[2]					
Baccalaureate	2,223	2,080	2,173	2,146	2,135
Master's (includes MBA)	1,160	1,129	1,003	1,062	1,058
Juris Doctorate	201	192	206	206	172
Doctorate-Research	239	242	281	239	216
Total degrees conferred	3,823	3,643	3,663	3,653	3,581
Undergraduate Tuition Rate	$ 55,046	$ 52,884	$ 50,998	$ 49,178	$ 47,422
Percent increase over prior year	4.1%	3.7%	3.7%	3.7%	3.7%

1 *Does not include Graduate Architecture, Business, or Law*
2 *Includes degrees awarded in all categories*

Creating a culture in which sound fiscal policy, an ethos of service and fellowship, and a resolute commitment to educational and research preeminence have provided a blueprint to follow even in uncertain times.

Shannon Cullinan

Message from the **Executive Vice President**

Shannon B. Cullinan

As it has since 1842, Notre Dame remained steadfast and true throughout this difficult year. In the face of a global pandemic, economic disruption, and political and social unrest, we have continued to look to the University as a dependable source of strength and stability.

For this, we are indebted to University leadership, past and present, for creating a culture in which sound fiscal policy, an ethos of service and fellowship, and a resolute commitment to educational and research preeminence have provided a blueprint to follow even in uncertain times. We are especially grateful to our faculty and staff for their careful stewardship of University resources; their diligence enabled us to welcome students back to campus this fall. So, too, do we thank our benefactors, whose impactful generosity was felt perhaps even more strongly this year.

The collective efforts of the Notre Dame family have helped to place us in a position of financial strength. Our endowment returned 7.4 percent in fiscal 2020. Alumni, parents, and friends carried the *Boldly* campaign to a strong finish. The impact of this historic fundraising endeavor is evident everywhere on campus, but nowhere more so than in financial aid programs that are among the most generous in the nation. Still, we are not immune to the myriad challenges of the present moment.

As the economic repercussions of the pandemic began to emerge last March, Notre Dame doubled down on its commitment to students. Decisions were made in fiscal 2020 to ensure adequate financial aid resources would be available for fiscal 2021. Despite a serious uptick in the number of students requiring aid—resulting in a $20 million increase over the prior year—the University continued to honor its policy of need-blind admissions and to meet the full demonstrated need of all undergraduates. Students with work-study arrangements were kept whole, even after they had to leave campus. The response to our Student Emergency Relief Fund was overwhelming; those monies are helping to ensure that students whose finances have been adversely affected by coronavirus can remain at Notre Dame.

In a year of declining revenue, measures were taken to cut spending across the University, including no merit or pay increases, hiring freezes, and voluntary salary reductions by senior University leaders. Where feasible, construction projects were put on hold, and University travel and non-essential spending were virtually eliminated. However, the safe reopening of campus necessitated increased spending in other areas: dining and residence halls were modified, as were classrooms to enable the dual delivery of coursework for in-person and remote learning. We invested in testing, masks and other forms of PPE for the campus community, contact tracing, protocol signage, and spaces for students needing to quarantine or isolate.

As a result, we have been able to carry on Notre Dame's unique educational mission in the face of unprecedented challenges. We are humbled by, and extraordinarily grateful for, all those who have made this possible. Whatever the coming year may bring, we remain focused and confident in our vision of Notre Dame as an unwavering force for good.

Financial Overview

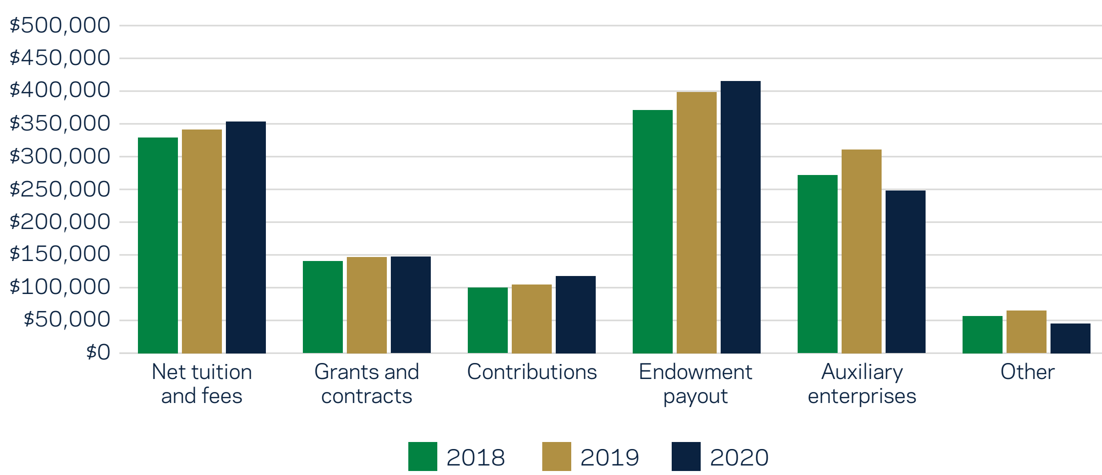
NET ASSETS

The University's net assets increased by $775 million during the year ended June 30, 2020. The increase is largely reflective of the Notre Dame Endowment Pool's investment performance (net of distributions for spending) and generous philanthropic support. Despite year-over-year declines in operating revenues and expenses attributable to the coronavirus pandemic, operational activities made a positive contribution to the overall increase in net assets. These increases were tempered by the net unrealized loss on debt-related interest rate swaps and actuarial losses on postretirement benefits plans.

OPERATING REVENUES

Overall operating revenues decreased by $40 million from 2019, which reflects the effect of a partial campus shutdown in the final quarter of the fiscal year in response to the coronavirus pandemic.

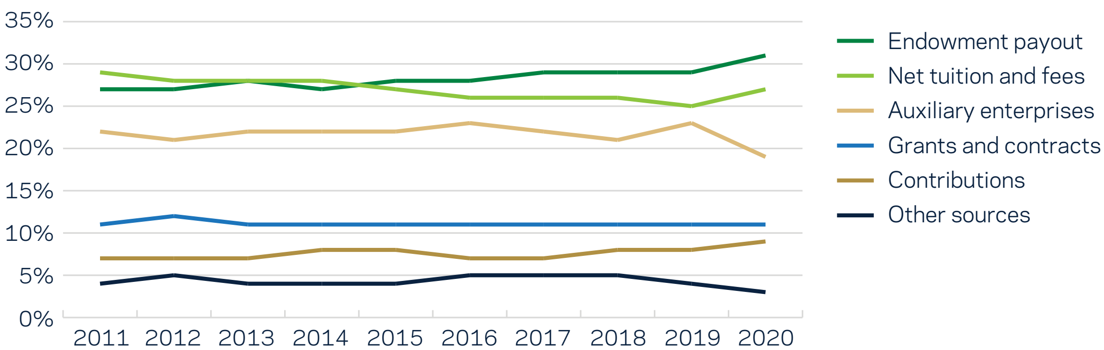
Chart 1–Operating Revenues by Source (in thousands)



Due to the timing of its onset, the coronavirus pandemic had little effect on net tuition and contribution levels for fiscal 2020, while the increase in endowment payout (i.e., accumulated investment return distributed) reflects new endowments that came online in the second half of 2019 and 2020. The increases in these revenue streams were, however, more than offset by a combined $80 million decline in revenues from auxiliary enterprises and other sources, which is where the impact of the pandemic was primarily felt. In particular, the University refunded approximately $22 million for prorated student housing and dining contracts after suspending in-person instruction in March. Additionally, revenues from other auxiliary enterprises such as retail dining, hotel, bookstore, and event services were essentially forgone in the fourth quarter given the suspension of most on-campus activities.

The effect of the year-over-year decline in auxiliary revenues is evident in the proportion of operating revenues from each major stream illustrated in *Chart 2*.

Chart 2–Operating Revenues Trend

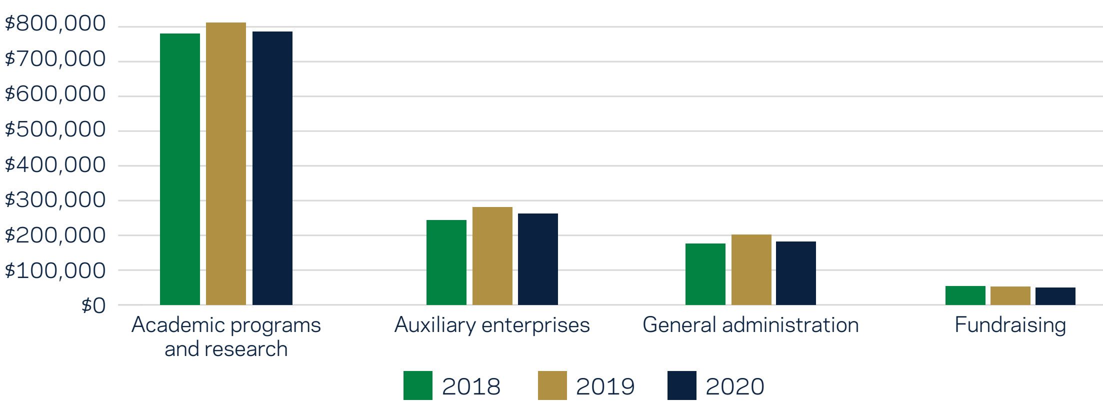


However, the most significant trend illustrated in *Chart 2* is that endowment payout supplanted net tuition as the University's largest revenue stream during the past decade and continues to grow as a percentage of overall operating revenues.

OPERATING EXPENSES

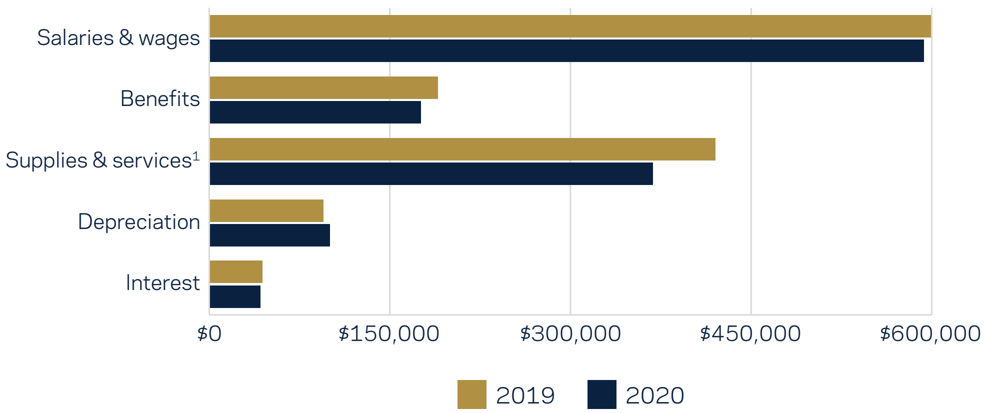
The proportion of fiscal 2020 operating expenses within each functional area remains consistent with recent years.

Chart 3–Operating Expenses by Function (in thousands)



The pandemic's impact on operating expenses is primarily concentrated in the areas of benefits and supplies and services, which affects each functional area. Thus, the $69 million year-over-year net decline in operating expenses is more prominently displayed in *Chart 4*, which reflects comparative operating expenses by natural classification (e.g., salaries, benefits, depreciation, etc.).

Chart 4–Operating Expenses by Natural Classification (in thousands)



[1] *Includes non-labor expenses such as various supplies and non-capitalized equipment, professional services, travel, etc.*

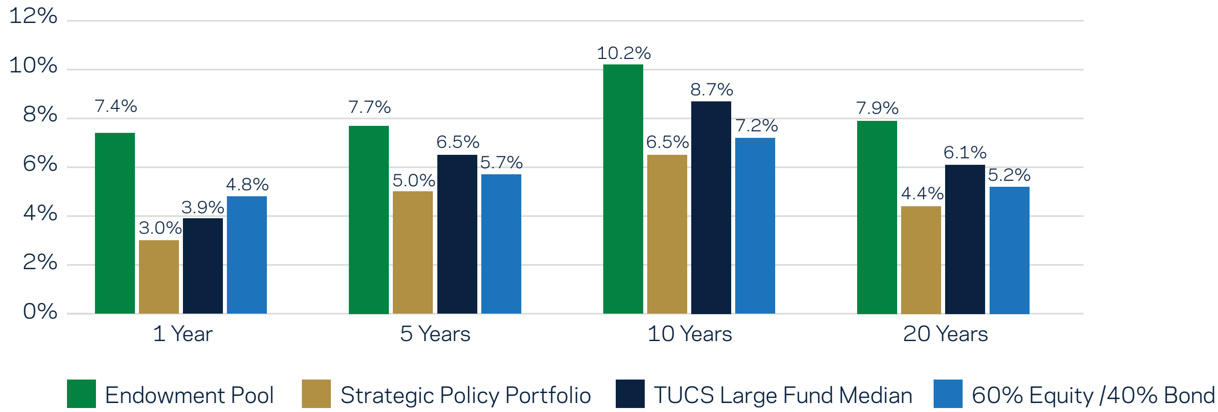
The University implemented a hiring freeze but maintained compensation levels for its existing employees through the end of the fiscal year despite the suspension of most on-campus activities during the fourth quarter. Accordingly, salaries and wages are comparable to the full year's expected activity, but slightly less than prior year as fiscal 2019 includes $15 million in non-recurring early retirement program costs. Overall benefit costs declined in 2020, driven primarily by redesigned medical insurance plans and a decrease in medical claims as many elective medical services were forgone due to safety concerns over the coronavirus in the closing months of the year. Likewise, the suspension of on-campus educational programs and auxiliary services resulted in forgone non-labor expenses associated with these activities. This decrease in campus activity coupled with policies to limit non-essential spending and place a moratorium on travel are driving the decrease in supplies and services expenses. These cost savings outweighed one-time expenses for student travel and other mitigating measures during the latter half of the spring semester.

INVESTMENT REVIEW

The Endowment Pool investment return for the fiscal year was 7.4%. Equity markets rebounded in the fourth quarter after the significant declines during the March quarter precipitated by the coronavirus and its effects on economic activity. Managers of private equity and global and emerging markets public equity were notable contributors to the return.

Given its role in providing funding for the University's mission in perpetuity, the Endowment Pool has a long-term investment horizon. Performance is measured against various benchmarks, and results for the fiscal year and over longer-term periods as of the end of fiscal 2020 are shown in *Chart 5*.

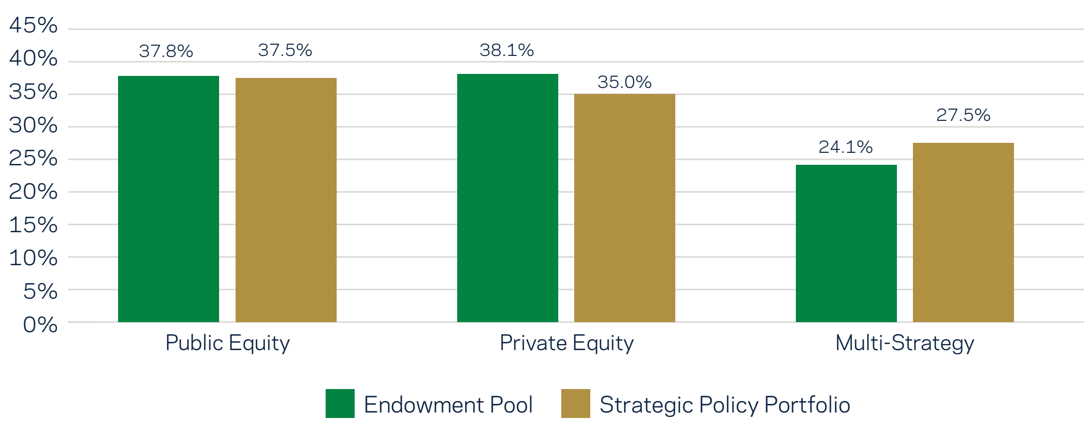
Chart 5–Endowment Pool Investment Performance (annualized returns)



Notre Dame Endowment Pool returns are net of investment managers' fees. The Strategic Policy Portfolio is Notre Dame's internal benchmark relative to the target investment portfolio. The 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 US Aggregate Bond Index and thus is a measure of performance compared to a more traditional or retail portfolio.

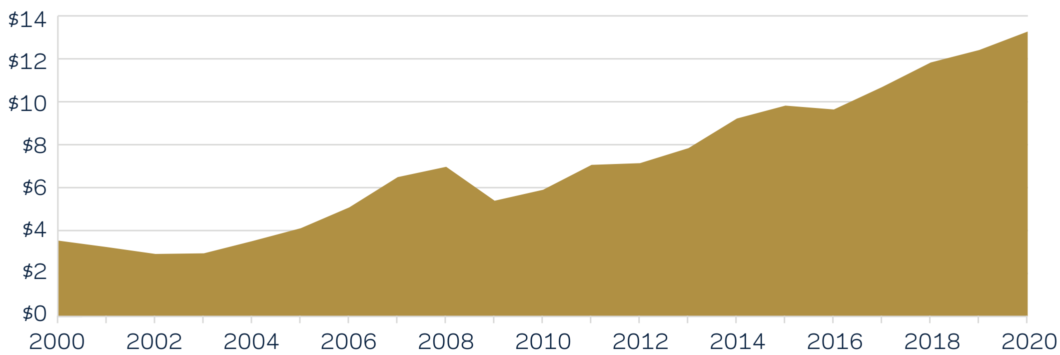
The investment portfolio is highly diversified across strategies, sectors, and geographies with a high allocation to equities for growth to support University finances. To further diversify exposure to public and private equities, the multi-strategy portfolio provides allocations to a variety of other assets and risk-reducing approaches with return streams less correlated to the equity markets.

Chart 6–Endowment Pool Asset Allocation as of June 30, 2020



The investment return for the year coupled with inflows to the Endowment Pool primarily from contributions, net of the payout from endowment, resulted in a year-end market value of $13.3 billion, excluding assets held on behalf of religious affiliates.

Chart 7–Endowment Pool[1] Market Value (in billions)

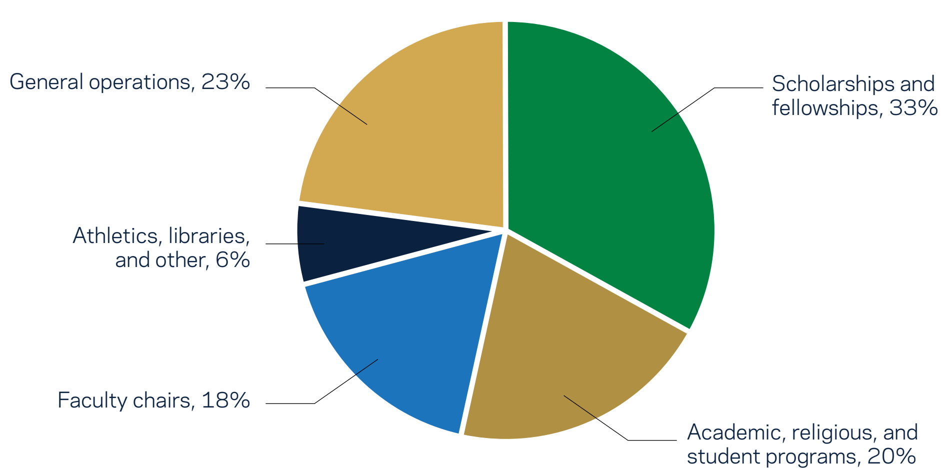


[1]Excludes assets held on behalf of religious affiliates.

Nearly $445 million in accumulated Endowment Pool returns were distributed for spending during fiscal 2020, $415 million of which provided support for operational purposes with the remainder supporting capital infrastructure projects. As illustrated in *Chart 2*, annual payout from endowment constitutes the University's largest individual source of operating revenues. Growth in endowment payout mitigates pressures on tuition rates and provides a key source of direct funding for financial aid and many other programs. However, given that nearly two-thirds of endowment payout carries a donor restriction that limits its use to a specific programmatic purpose, tuition revenue remains a critical source of *flexible* operating revenue.

In terms of the types of programs supported by endowment payout, financial aid remains the largest single area. One-third of the endowment payout for 2020 operations directly supports scholarships and fellowships, which is critical to maintaining need-blind admissions and the commitment to meet full undergraduate financial need.

Chart 8–Fiscal 2020 Endowment Payout for Operations

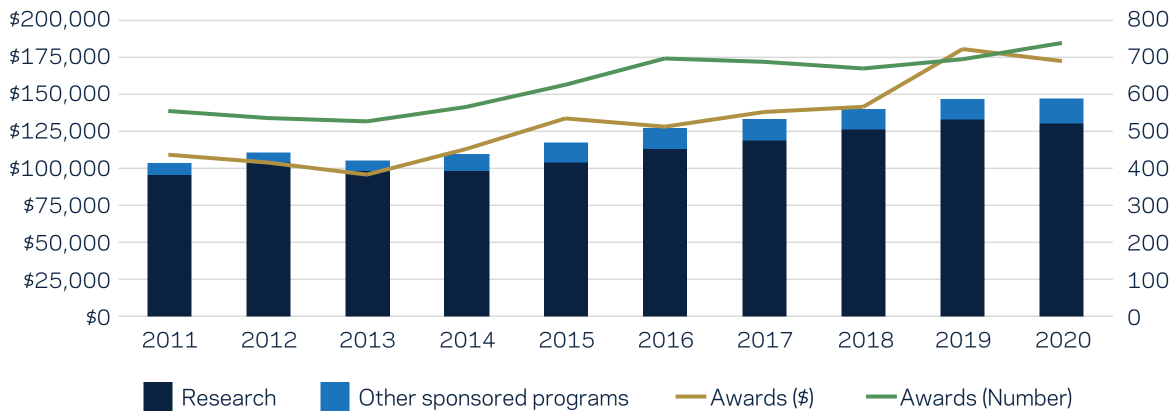


Despite the volume of direct endowment support for financial aid, a substantial portion of the $336 million in scholarships and fellowships awarded in fiscal 2020 is covered by allocations from the University's general operating budget. Thus, the 23% of endowment payout designated for general operations is also vital to maintaining the level of financial assistance to students.

RESEARCH AND SPONSORED PROGRAMS

Sponsored research at Notre Dame has grown steadily over the past decade. Indeed, Notre Dame received nearly 750 new awards totaling more than $170 million in fiscal 2020, the highest and second highest totals in its history, respectively.

Chart 9–Grants and Contracts Revenues and Awards ($ in thousands)

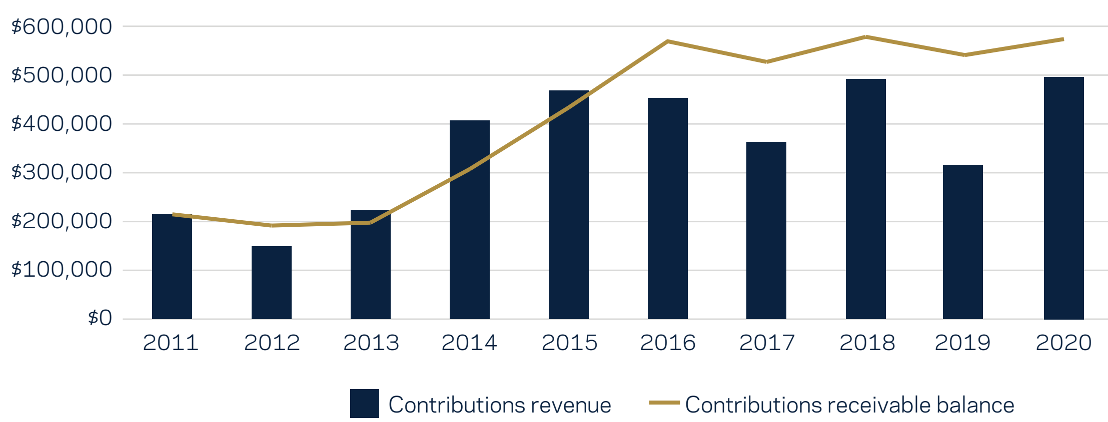


Like other programs on campus, research activity was significantly impacted during the fourth quarter of 2020 due to the coronavirus pandemic, as most laboratories were placed into hibernation in late March in the interest of safety. Still, total grants and contracts revenues increased slightly over 2019, which is reflective of the steady pace of awards received. Federal agencies such as the National Science Foundation and Department of Health and Human Services continue to account for more than 70% of sponsored programs support.

PHILANTHROPIC SUPPORT

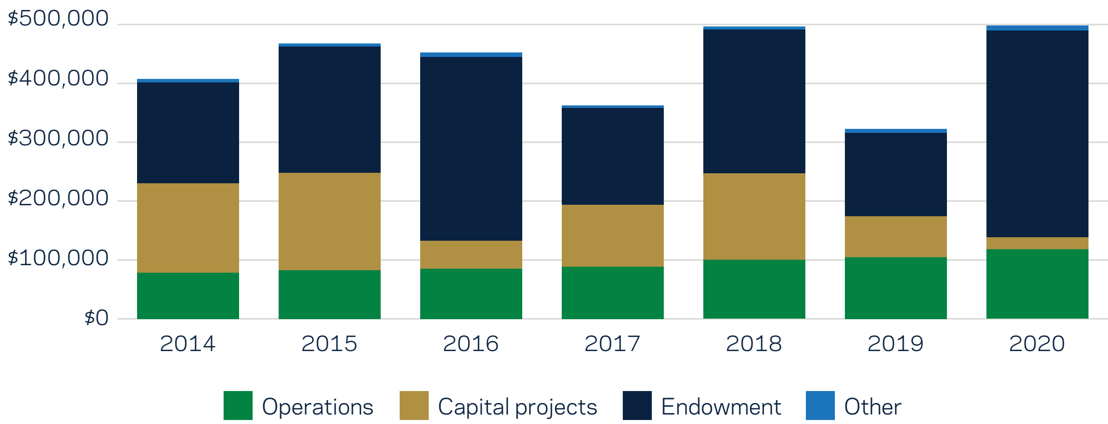
Contributions revenue and contributions receivable balances reflect the generosity of the University's benefactors and the response to the *Boldly Notre Dame* campaign, which began in 2014.

Chart 10–Contributions and Contributions Receivable (in thousands)



Contributions for operating purposes, with and without donor restrictions, provide a steady annual source of expendable funding. As illustrated in *Chart 11*, non-operating contributions, which primarily represent gifts for investment in endowment and capital projects, are more variable from year-to-year in mix and volume, but remained at historically high levels during the span of the *Boldly Notre Dame* campaign.

Chart 11–GAAP-Basis Contributions, 2014–2020 (in thousands)

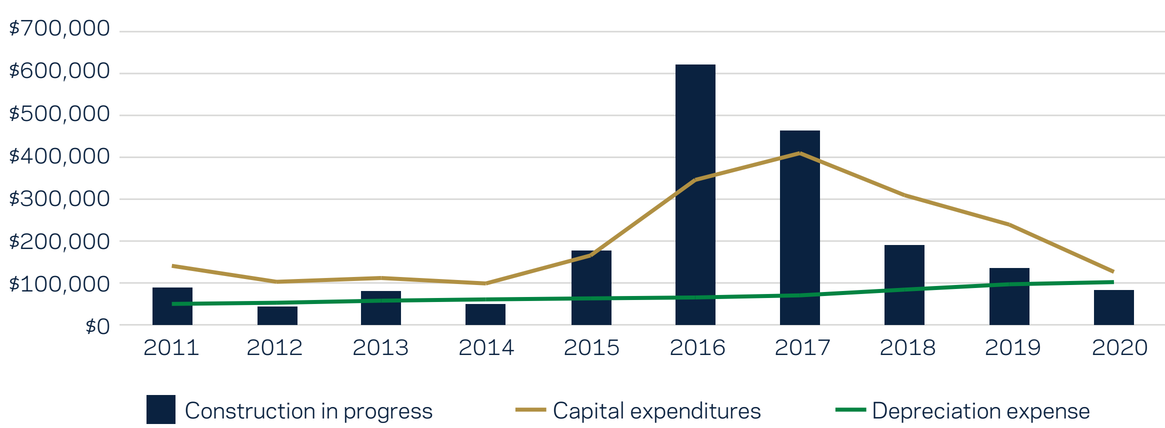


Just over half of the GAAP-basis contributions recognized from 2014 to 2020 were restricted or designated for investment in endowment.

CAMPUS FACILITIES

In addition to a variety of renovations and upgrades to existing lab and classroom facilities, the University completed and placed into service a men's residence hall and indoor athletics practice facility in fiscal 2020, as well as a number of significant infrastructure improvements. Due to the pandemic's uncertain financial impact, most construction and renewal activities were halted during the final months of the fiscal year to reduce cash outflows. Pandemic-related disruptions aside, capital spending has returned to more traditional levels as planned over the past three years following a significant expansion of campus facilities, including the Campus Crossroads project placed into service in fiscal 2018.

Chart 12–Construction in Progress, Capital Expenditures, and Depreciation (in thousands)



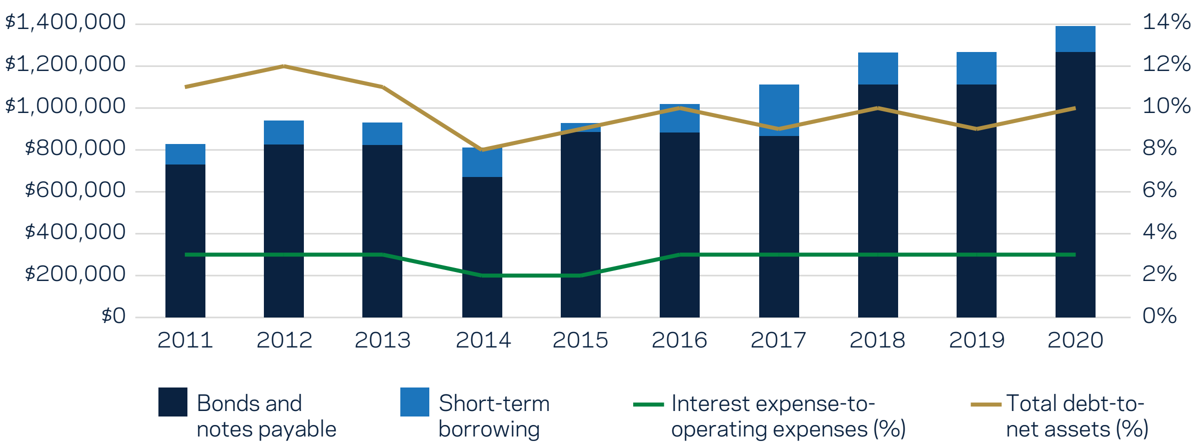
Construction in progress at June 30, 2020, included a new women's residence hall, new academic and conference facilities, and a hydroelectric generation facility on the nearby St. Joseph River that is expected to generate approximately 7% of the University's annual electricity needs.

LIQUIDITY AND FINANCING

Given the uncertain impact that the pandemic could have on University operating cash flow and the financial markets in general, Notre Dame took several steps to augment its operational liquidity. In March, the University obtained a $125 million bank loan at a fixed 1.45% rate, due in April 2022. Lines of credit with commercial banks were also expanded to provide an incremental $300 million in short-term borrowing capacity.

The University also undertook longer-term financing actions to take advantage of the historically low interest rate environment and its Aaa credit rating, which was affirmed by Moody's in April 2020. In June, Notre Dame issued $155 million in Series 2020 Taxable Fixed Rate bonds at a rate of 1.64% maturing in 2030. In addition, the University amended an existing forward-starting interest rate swap and entered into two additional forward-starting fixed payer swaps to lock in fixed rates in anticipation of future bond issues.

Chart 13–Total Debt (in thousands) with Selected Ratios



Despite growth in the University's total debt over the past decade, the ratio of debt to net assets and the cost of financing as a percentage of operating expenses have remained consistent, particularly over the past five years.

Consolidated Financial Statements

Report of Independent Auditors

To the 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, 2020 and 2019, and the related consolidated statements of changes in net assets, of functional expenses 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, 2020 and 2019, 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

PricewaterhouseCoopers LLP

Chicago, Illinois

November 20, 2020

Consolidated Statements of Financial Position

(in thousands)

	As of June 30 2020	2019
Assets		
Cash and cash equivalents	$ 214,495	$ 147,634
Accounts receivable, net (*Note 3*)	69,797	69,899
Deferred charges and other assets (*Note 4*)	44,857	44,083
Contributions receivable, net (*Note 5*)	573,815	541,065
Notes receivable, net (*Note 6*)	20,545	23,796
Investments (*Note 7*)	14,961,392	13,999,087
Land, buildings and equipment, net of accumulated depreciation (*Note 8*)	2,528,718	2,517,801
TOTAL ASSETS	$ 18,413,619	$ 17,343,365
Liabilities		
Accounts payable (*Note 8*)	$ 42,975	$ 51,743
Short-term borrowing (*Note 9*)	125,000	156,723
Deferred revenue and refundable advances (*Note 10*)	146,773	167,070
Deposits and other liabilities (*Note 11*)	290,171	250,176
Liabilities associated with investments (*Note 7*)	1,672,603	1,577,461
Obligations under split-interest agreements (*Note 17*)	206,204	189,642
Bonds and notes payable (*Note 12*)	1,265,597	1,111,577
Pension and other postretirement benefit obligations (*Note 14*)	170,803	120,955
TOTAL LIABILITIES	3,920,126	3,625,347
Net Assets		
Without donor restrictions (*Note 15*)	6,449,993	6,094,169
With donor restrictions (*Note 15*)	8,043,500	7,623,849
TOTAL NET ASSETS	14,493,493	13,718,018
TOTAL LIABILITIES AND NET ASSETS	$ 18,413,619	$ 17,343,365

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
			Years ended June 30	
Operating Revenues and Other Additions				
Net tuition and fees (*Note 18*)	$ 353,452	$ -	$ 353,452	$ 341,355
Grants and contracts (*Note 19*)	147,232	-	147,232	146,791
Contributions	45,807	71,866	117,673	104,638
Accumulated investment return distributed (*Note 7*)	148,696	266,698	415,394	398,531
Sales and services of auxiliary enterprises (*Note 20*)	247,875	-	247,875	310,819
Other sources	45,212	-	45,212	64,680
TOTAL OPERATING REVENUES	988,274	338,564	1,326,838	1,366,814
Net assets released from restrictions (*Note 15*)	297,517	(297,517)	-	-
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,285,791	41,047	1,326,838	1,366,814
Operating Expenses	(1,280,130)	-	(1,280,130)	(1,348,977)
INCREASE IN NET ASSETS FROM OPERATIONS	5,661	41,047	46,708	17,837
Non-Operating Changes in Net Assets				
Contributions	98,553	280,044	378,597	211,514
Investment return (*Note 7*)	409,298	470,156	879,454	805,761
Accumulated investment return distributed (*Note 7*)	(148,696)	(266,698)	(415,394)	(398,531)
Net loss on debt-related derivative instruments (*Note 13*)	(61,243)	-	(61,243)	(24,710)
Net assets released from restrictions (*Note 15*)	113,266	(113,266)	-	-
Pension and postretirement benefits-related changes:				
Net periodic benefit costs (*Note 14*)	(3,780)	-	(3,780)	(2,851)
Other changes (*Note 14*)	(49,217)	-	(49,217)	(19,685)
Change in value of split-interest agreements (*Note 17*)	(260)	6,367	6,107	9,450
Other non-operating changes	(7,758)	2,001	(5,757)	(1,128)
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	350,163	378,604	728,767	579,820
INCREASE IN NET ASSETS	355,824	419,651	775,475	597,657
NET ASSETS BEGINNING OF YEAR	6,094,169	7,623,849	13,718,018	13,120,361
NET ASSETS END OF YEAR	$ 6,449,993	$ 8,043,500	$ 14,493,493	$ 13,718,018

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

	Without donor restrictions	With donor restrictions	Year ended June 30 **2019** Total
Operating Revenues and Other Additions			
Net tuition and fees (*Note 18*)	$ 341,355	$ -	$ 341,355
Grants and contracts (*Note 19*)	146,791	-	146,791
Contributions	48,908	55,730	104,638
Accumulated investment return distributed (*Note 7*)	141,623	256,908	398,531
Sales and services of auxiliary enterprises (*Note 20*)	310,819	-	310,819
Other sources	64,680	-	64,680
TOTAL OPERATING REVENUES	1,054,176	312,638	1,366,814
Net assets released from restrictions (*Note 15*)	290,986	(290,986)	-
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,345,162	21,652	1,366,814
Operating Expenses	(1,348,977)	-	(1,348,977)
INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	(3,815)	21,652	17,837
Non-Operating Changes in Net Assets			
Contributions	9,944	201,570	211,514
Investment return (*Note 7*)	357,838	447,923	805,761
Accumulated investment return distributed (*Note 7*)	(141,623)	(256,908)	(398,531)
Net loss on debt-related derivative instruments (*Note 13*)	(24,710)	-	(24,710)
Net assets released from restrictions (*Note 15*)	68,874	(68,874)	-
Pension and postretirement benefits-related changes:			
Net periodic benefit costs (*Note 14*)	(2,851)	-	(2,851)
Other changes (*Note 14*)	(19,685)	-	(19,685)
Change in value of split-interest agreements (*Note 17*)	(214)	9,664	9,450
Other non-operating changes	6,282	(7,410)	(1,128)
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	253,855	325,965	579,820
INCREASE IN NET ASSETS	250,040	347,617	597,657
NET ASSETS BEGINNING OF YEAR	5,844,129	7,276,232	13,120,361
NET ASSETS END OF YEAR	$ 6,094,169	$ 7,623,849	$ 13,718,018

See accompanying notes to consolidated financial statements.

Consolidated Statements of Functional Expenses

(in thousands)

Years ended June 30

	Salaries & wages	Benefits	Supplies & services	Depreciation (Note 8)	Interest	**2020** Total
Operating Expenses						
Academic programs and research	$ 398,741	$ 96,104	$ 210,515	$ 54,311	$ 25,942	$ 785,613
Auxiliary enterprises	92,089	27,569	95,883	39,191	8,272	263,004
General administration	74,648	44,833	49,695	6,312	6,574	182,062
Fundraising	28,048	7,176	12,331	257	1,639	49,451
TOTAL OPERATING EXPENSES	593,526	175,682	368,424	100,071	42,427	1,280,130
Non-operating expenses						
Net periodic benefit costs (*Note 14*)	-	3,780	-	-	-	3,780
Expenses of consolidated company	-	-	7,853	1,962	1,774	11,589
TOTAL EXPENSES	$ 593,526	$ 179,462	$ 376,277	$ 102,033	$ 44,201	$ 1,295,499

	Salaries & wages	Benefits	Supplies & services	Depreciation (Note 8)	Interest	**2019** Total
Operating Expenses						
Academic programs and research	$ 395,318	$ 104,902	$ 232,122	$ 53,172	$ 26,205	$ 811,719
Auxiliary enterprises	90,756	31,438	115,436	35,273	9,024	281,927
General administration	88,565	45,804	54,598	6,415	7,008	202,390
Fundraising	24,739	7,960	18,114	206	1,922	52,941
TOTAL OPERATING EXPENSES	599,378	190,104	420,270	95,066	44,159	1,348,977
Non-operating expenses						
Net periodic benefit costs (*Note 14*)	-	2,851	-	-	-	2,851
Expenses of consolidated company	-	-	7,413	1,749	1,813	10,975
TOTAL EXPENSES	$ 599,378	$ 192,955	$ 427,683	$ 96,815	$ 45,972	$ 1,362,803

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

	Years ended June 30 2020	2019
Cash Flows from Operating Activities		
Increase in net assets	$ 775,475	$ 597,657
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on investments	(851,934)	(729,613)
Contributions for long-term investment	(242,712)	(154,114)
Contributed securities	(109,715)	(92,553)
Proceeds from sales of securities contributed for operations	10,138	8,457
Depreciation	102,033	96,815
Loss on disposal of land, buildings and equipment	1,557	6,298
Change in contributions receivable	(32,750)	37,376
Change in value of split-interest agreements	(6,107)	(9,450)
Change in pension and other postretirement benefit obligations	49,848	18,056
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(672)	(6,376)
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	31,851	60,274
Other, net	(1,477)	5,624
NET CASH USED BY OPERATING ACTIVITIES	(274,465)	(161,549)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	8,117,263	7,187,442
Purchases of investments	(8,116,537)	(6,960,430)
Purchases of land, buildings and equipment	(126,455)	(239,252)
Student and other loans granted	(4,063)	(3,115)
Student and other loans repaid	7,490	5,856
NET CASH USED BY INVESTING ACTIVITIES	(122,302)	(9,499)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	5,949	3,299
Contributions for long-term investment	262,128	168,211
Proceeds from sales of securities contributed for long-term investment	99,577	83,993
Proceeds from short-term borrowing	1,219,662	1,937,560
Repayment of short-term borrowing	(1,251,385)	(1,932,312)
Payments to beneficiaries of split-interest agreements	(16,232)	(14,912)
Proceeds from bonds issued	155,000	-
Repayment of bonds and notes	(980)	(864)
Return of government advances for student loans	(8,533)	-
Cash accepted for investment on behalf of religious affiliates	25,813	22,083
Cash returned to religious affiliates	(27,371)	(24,034)
NET CASH PROVIDED BY FINANCING ACTIVITIES	463,628	243,024
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,861	71,976
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	147,634	75,658
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 214,495	$ 147,634
Supplemental Data		
Interest paid	$ 44,024	$ 45,822

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 1.
Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The University of Notre Dame du Lac is a private Catholic research university. The accompanying consolidated financial statements include the assets, liabilities and activities of certain other entities under the financial control of the University of Notre Dame du Lac. This includes the wholly-owned limited liability company cited in *Note 7* and *Note 12*, which operates a commercial property in Chicago, Illinois for investment purposes. The University of Notre Dame du Lac and entities included herein are referred to individually and collectively as the "University."

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

> Net Assets Without Donor Restrictions—Net assets not subject to donor-imposed restrictions and available for any purpose consistent with the University's mission. Revenues from grants and contracts subject to conditions and purpose restrictions are recognized within changes in net assets without donor restrictions in the period in which those conditions and restrictions are met. Other revenues are generally reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by funds functioning as endowment and other sources are also classified as changes in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Operating expenses are reported as decreases in net assets without donor restrictions.

> Net Assets With Donor Restrictions—Net assets which are either required to be maintained in perpetuity by donors or are subject to donor-imposed purpose restrictions that must be met by actions of the University and/or passage of time. Net assets subject to donor-imposed restrictions requiring they be maintained in perpetuity are generally restricted to long-term investment and are comprised primarily of donor-restricted endowment funds. Subject to the University's endowment spending policy, investment returns on perpetually restricted endowment funds are generally available for appropriation to support operational needs as specified by donor restriction. Contributed assets with a non-perpetual restriction normally fund specific expenditures of an operating or capital nature. Unconditional restricted contributions or investment returns received and expended within the same fiscal period are reported as increases in net assets with donor restrictions and net assets released from restrictions, respectively.

Notes to Consolidated Financial Statements

(All amounts in thousands)

The University's measure of operations presented in the consolidated statements of changes in net assets includes revenues from tuition and fees, grants and contracts, contributions for operations, accumulated investment return distributed under the University's spending policy, and revenues from auxiliary enterprises and other sources, such as licensing and academic conferences. Operating expenses are summarized in the consolidated statements of functional expenses by natural classification and functional categories. Costs incurred in direct support of the University's primary mission, including those for instruction, research, public service, academic support, and student services are reflected within the *academic programs and research* functional category. Interest from taxable bonds and other debt is allocated to functional categories based on the proportion of expenses charged directly to each function prior to allocating costs for operations and maintenance of plant. Interest from tax-exempt bonds is allocated to functional categories based on the square footage occupancy of the related facilities. Costs for operations and maintenance of plant and depreciation are allocated to functional categories based primarily on square footage occupancy.

Non-operating activities presented in the consolidated statements of changes in net assets include contributions designated by the University or restricted by donors for endowment or investment in buildings and equipment, investment return 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 pension and postretirement benefits-related changes in net assets. Other non-operating changes in net assets include the net activities of the consolidated limited liability company described in *Note 7* and *Note 12*, the effect of changes in donor intent with respect to endowment and other funds, and other activities considered unusual or non-recurring in nature. Non-operating net assets released from restrictions generally reflect the expenditure of net assets restricted to investment in buildings and equipment and other expirations of term restrictions.

NET TUITION AND FEES

Tuition and fees for instruction and other educational services, net of scholarships and fellowships, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts receivable from students are typically insignificant at the end of each fiscal year.

Tuition scholarships and fellowships

As reflected in *Note 18*, student financial aid in the form of undergraduate scholarships, athletics grants-in-aid, and graduate and professional fellowships is reflected as contra-tuition revenue in the consolidated statements of changes in net assets.

Notes to Consolidated Financial Statements

(All amounts in thousands)

GRANTS AND CONTRACTS

Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The University recognizes revenues on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor. Revenue from exchange contracts for applied research is recognized as the University's contractual performance obligations are substantially met. Indirect cost recovery by the University on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as grants and contracts revenue.

AUXILIARY ENTERPRISES

The University's auxiliary enterprises consist principally of intercollegiate athletics and enterprises that provide goods and services to the campus community, such as residence and dining halls, retail food services, a campus hotel, and event management services. These enterprises are managed as self-supporting activities. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Certain auxiliary revenues arise from contracts. Revenues from intercollegiate athletics ticket sales, media rights, licensing, royalties and other contracts are received and recognized concurrent with event-based obligations or the passage of contract terms, but typically within the fiscal year. However, season ticket proceeds received prior to the report date for events scheduled in the upcoming fiscal year are recorded as deferred revenue and recognized as the associated events are completed. Charges to students for campus residence, dining and laundry services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Revenues are reported net of scholarships and fellowships allocated to room and board, the total of which is insignificant. Accounts receivable from students are typically insignificant at the end of each fiscal year. Revenues generated by on-campus event management, including those from hosting concerts and professional sporting events, are recognized as event-based obligations are fulfilled. Associated contract-related liabilities at year end are insignificant.

CASH AND CASH EQUIVALENTS

Resources invested in money market funds, 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.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at face value and typically have contractual maturities of less than one year. Allowance is made for uncollectible accounts based upon management's expectations and past collection experience.

Notes to Consolidated Financial Statements

(All amounts in thousands)

CONTRIBUTIONS RECEIVABLE

Pledges that represent unconditional promises to give are recognized at fair value as contributions with donor restrictions in the period such promises are made by donors. Contributions are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based upon management's expectations regarding 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 federal Perkins and institutional loan programs. A general allowance is made for uncollectible student loans after considering both long-term collection experience and current trends, such as recent default rates of cohorts entering repayment status. Other notes receivable are evaluated individually for impairment, with allowances recorded based on management's expectations given facts and circumstances related to each note.

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 funds on behalf of religious affiliates that share the University's Catholic ministry and educational missions. Accordingly, the University reports an equal asset and liability in the consolidated statements of financial position representing the value of investments managed on behalf of these entities.

Notes to Consolidated Financial Statements

(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 13*, interest rate swap agreements are used to manage interest rate risk associated with future anticipated 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 net assets without donor restrictions.

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 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.

Notes to Consolidated Financial Statements

(All amounts in thousands)

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.

USE OF ESTIMATES

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

TAX STATUS

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

Under the Tax Cuts and Jobs Act (the "Act") enacted in December 2017 and effective July 1, 2018, the University is subject to additional taxes. The Act introduced excise taxes on net investment income and executive compensation and changed rules for calculating unrelated business taxable income.

RECLASSIFICATIONS

Certain fiscal 2019 amounts within the consolidated financial statements have been reclassified to conform to the 2020 presentation.

Notes to Consolidated Financial Statements

(All amounts in thousands)

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 20, 2020, the date the financial statements were issued. No events requiring disclosure were identified.

NEW ACCOUNTING PRONOUNCEMENTS

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. However, in June 2020, the FASB issued ASU No. 2020-05, which defers the effective date of ASU No. 2016-02 by one year. Accordingly, the University now plans to adopt this standard during the year ending June 30, 2021. This standard is not expected to materially impact the University's financial statements.

NOTE 2.
Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for institutional needs, such as operating and capital expenses, are summarized as follows at June 30:

	2020	2019
Cash and cash equivalents	$ 214,495	$ 147,634
Accounts receivable, net (*Note 3*)	69,797	69,899
Contributions receivable, net (*Note 5*)	65,664	61,846
Notes receivable (*Note 6*)	2,211	1,834
Investments approved for appropriation in subsequent year	457,689	442,273
Total financial assets available within one year	809,856	723,486
Undrawn lines of credit (*Note 9*)	575,000	494,000
Unissued commercial paper (*Note 9*)	400,000	274,277
Total financial assets and liquidity resources available within one year	$ 1,784,856	$ 1,491,763

The University manages its financial assets and liquidity resources to be available to fund expenditures and fulfill liabilities and other commitments as they become due. To supplement cash needs, the University maintains various short-term borrowing facilities, as described in *Note 9*. The University's excess working capital is invested in either short-term investments or the Notre Dame Endowment Pool.

As reflected in *Note 7*, the University held more than $2.6 billion in investment assets at June 30, 2020 that were measured using Level 1 and Level 2 fair value inputs. Although these assets are generally liquid within the near term, they are only considered available for expenditure to the extent they are designated as short-term working capital investments or approved for appropriation during the annual budget process under the University's endowment spending policy. Investments approved for appropriation in the subsequent year are calculated based on a board-approved spending rate. The University also has the ability to make additional one-time appropriations from working capital and endowment funds without donor restrictions to the extent that there are sufficient liquid investment assets.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 3.
Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	2020	2019
Research and other sponsored programs support	$ 25,074	$ 29,119
Rights and royalties receivable	22,792	19,469
Other receivables	23,420	23,051
	71,286	71,639
Less allowances for uncollectible amounts	1,489	1,740
	$ 69,797	$ 69,899

NOTE 4.
Deferred Charges and Other Assets

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

	2020	2019
Prepaid expenses	$ 15,533	$ 21,838
Retail and other inventories	5,373	5,380
Goodwill	6,455	6,455
Beneficial interests in perpetual trusts	5,512	5,702
Debt-related derivative instruments (*Note 13*)	6,426	-
Other deferred charges	5,558	4,708
	$ 44,857	$ 44,083

NOTE 5.
Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 187,182	$ 178,670
One year to five years	329,812	315,320
More than five years	198,358	201,597
	715,352	695,587
Less:		
Unamortized discounts	128,768	141,121
Allowances for uncollectible amounts	12,769	13,401
	141,537	154,522
	$ 573,815	$ 541,065

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2020 and 2019. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2020 and 2019. Of the net amount expected to be collected in less than one year, only $65,664 is expected to be available for operating and capital expenses, as described in *Note 2*.

Notes to Consolidated Financial Statements

(All amounts in thousands)

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

	2020	2019
Expendable funds restricted for (*Note 15*):		
Operating purposes	$ 69,301	$ 57,186
Investment in land, buildings and equipment	147,912	186,280
	217,213	243,466
Endowment funds (*Notes 15* and *16*):		
Donor-restricted endowment	350,989	285,315
University-designated endowment	5,613	12,284
	356,602	297,599
	$ 573,815	$ 541,065

As of June 30, 2020, the University had received documented conditional pledges of $28,530, 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 6.
Notes Receivable

Notes receivable are summarized as follows at June 30:

	2020	2019
Student notes receivable, related to:		
Government sponsored loan programs	$ 11,438	$ 15,809
Institutional student loans	9,434	7,737
	20,872	23,546
Less allowances for uncollectible student notes	1,903	1,813
	18,969	21,733
Other notes receivable	1,576	2,063
	$ 20,545	$ 23,796

As reflected in *Note 10*, the University maintains a liability for government advances made in prior years to fund student loans, primarily under the Perkins Loan program, the balance of which was $11,380 and $19,481 at June 30, 2020 and 2019, respectively. As described in *Note 2*, note receivable collections of $2,211 are expected to be available for general expenditure within one year. Collections of government-funded student notes receivable are not considered available for general expenditure.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 7.
Investments

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

	2020	2019
Notre Dame Endowment Pool assets	$ 14,662,908	$ 13,708,819
Other investments, associated with:		
Endowment and funds functioning as endowment	7,351	10,559
Working capital and other University designations	75,298	62,001
Split-interest agreements (*Note 17*)	8,995	9,616
Defined benefit pension plan (*Note 14*)	206,840	208,092
	298,484	290,268
	$ 14,961,392	$ 13,999,087

Liabilities associated with investments include the following at June 30:

	2020	2019
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	$ 1,465,763	$ 1,369,369
Defined benefit pension plan (*Note 14*)	206,840	208,092
	$ 1,672,603	$ 1,577,461

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:

	2020	2019
NDEP assets	$ 14,662,908	$ 13,708,819
Equity interest in consolidated company[1]	72,645	68,604
NDEP net assets unitized	$ 14,735,553	$ 13,777,423

[1]*As described in Note 1, the University is the sole owner of a limited liability company, the assets and liabilities of which are reflected in the consolidated financial statements. However, the estimated fair value of the University's equity interest in the company is included in NDEP net assets for unitization purposes.*

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:

	2020	2019
University funds:		
Endowment and funds functioning as endowment	$ 11,921,389	$ 11,208,542
Working capital and other University designations	1,067,761	949,087
Student loan funds	1,387	1,298
Split-interest agreements (*Note 17*)	279,253	249,127
	13,269,790	12,408,054
Funds invested on behalf of religious affiliates[2]	1,465,763	1,369,369
	$ 14,735,553	$ 13,777,423

[2]*NDEP holdings were redeemable by religious affiliates at $6,418.30 and $6,105.53 per unit (whole dollars) at June 30, 2020 and 2019, respectively.*

Notes to Consolidated Financial Statements

(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, 2020 and 2019, respectively:

	2020		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 451,361	$ 1,581	$ 452,942
Public equities	5,590,526	55,609	5,646,135
Private equity	5,578,118	20,002	5,598,120
Multi-strategy	3,042,903	14,452	3,057,355
	14,662,908	91,644	14,754,552
Defined benefit pension plan investments (*Note 14*)	-	206,840	206,840
	$ 14,662,908	$ 298,484	$ 14,961,392

	2019		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 234,297	$ 1,211	$ 235,508
Public equities	5,454,375	53,223	5,507,598
Private equity	5,001,181	13,997	5,015,178
Multi-strategy	3,018,966	13,745	3,032,711
	13,708,819	82,176	13,790,995
Defined benefit pension plan investments (*Note 14*)	-	208,092	208,092
	$ 13,708,819	$ 290,268	$ 13,999,087

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.

Notes to Consolidated Financial Statements

(All amounts in thousands)

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

	2020	**2019**
Public equities	$ 5,500	$ 88,368
Private equity	2,492,786	2,165,443
Multi-strategy	623,398	768,189
	$ 3,121,684	$ 3,022,000

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2020 and 2019, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2020				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 56,681	$ 396,261	$ -	$ -	$ 452,942
Public equities:					
U.S.	1,109,903	-	-	880,142	1,990,045
Non-U.S.	392,023	13,511	82,229	2,403,748	2,891,511
Long/short strategies	-	-	-	764,579	764,579
Private equity	-	-	20,002	5,578,118	5,598,120
Multi-strategy:					
Opportunistic	20,682	-	213,975	1,036,510	1,271,167
Core diversifiers	-	-	-	732,437	732,437
Fixed income	154,289	473,870	42,355	383,237	1,053,751
	$ 1,733,578	$ 883,642	$ 358,561	$ 11,778,771	$ 14,754,552

	2019				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 117,818	$ 117,690	$ -	$ -	$ 235,508
Public equities:					
U.S.	1,366,292	-	-	567,515	1,933,807
Non-U.S.	746,986	-	55,853	1,911,379	2,714,218
Long/short strategies	-	-	-	859,573	859,573
Private equity	-	-	13,997	5,001,181	5,015,178
Multi-strategy:					
Opportunistic	21,010	-	214,357	1,202,993	1,438,360
Core diversifiers	-	-	-	747,765	747,765
Fixed income	175,094	279,764	55,291	336,437	846,586
	$ 2,427,200	$ 397,454	$ 339,498	$ 10,626,843	$ 13,790,995

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.

Notes to Consolidated Financial Statements

(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 timing of such liquidations would vary by fund and depend on market conditions as well as other factors. Investments in funds measured at NAV within fixed income are not subject to lock-ups and generally allow for withdrawals on a daily or monthly basis.

At June 30, 2020 and 2019, 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 $158,502 and $175,219 at June 30, 2020 and 2019, respectively.

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, 2020:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net gain/(loss)*	*Ending balance*
Public equities—Non-U.S.	$ 55,853	$ 1,073	$ -	$ 25,303	$ 82,229
Private equity	13,997	686	(5,245)	10,564	20,002
Multi-strategy:					
Opportunistic	214,357	25,141	-	(25,523)	213,975
Fixed income	55,291	383,930	(398,351)	1,485	42,355
	$ 339,498	$ 410,830	$ (403,596)	$ 11,829	$ 358,561

During the year ended June 30, 2020, the University recognized net unrealized gains of $8,576 on investments still held at June 30, 2020, for which fair value is measured using Level 3 inputs.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2019:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net gain/(loss)*	*Ending balance*
Public equities—Non-U.S.	$ -	$ 48,094	$ -	$ 7,759	$ 55,853
Private equity	12,061	2,449	(1,448)	935	13,997
Multi-strategy:					
Opportunistic	177,578	67,052	(456)	(29,817)	214,357
Fixed income	16,977	425,954	(389,061)	1,421	55,291
	$ 206,616	$ 543,549	$ (390,965)	$ (19,702)	$ 339,498

During the year ended June 30, 2019, the University recognized net unrealized losses of $21,153 on investments still held at June 30, 2019, for which fair value is measured using Level 3 inputs.

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

Notes to Consolidated Financial Statements

(All amounts in thousands)

INVESTMENT RETURN

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

	Without donor restrictions	With donor restrictions	**2020** Total
Income, net	$ 6,023	$ 21,497	$ 27,520
Net gain:			
Realized	362,925	433,480	796,405
Unrealized	40,350	15,179	55,529
	403,275	448,659	851,934
	$ 409,298	$ 470,156	$ 879,454

	Without donor restrictions	With donor restrictions	**2019** Total
Income, net	$ 34,615	$ 41,533	$ 76,148
Net gain:			
Realized	241,433	289,012	530,445
Unrealized	81,790	117,378	199,168
	323,223	406,390	729,613
	$ 357,838	$ 447,923	$ 805,761

Investment income is reported net of related expenses of $62,138 and $41,315 for the years ended June 30, 2020 and 2019, respectively. Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations. Investment-related expenses also include provisions for excise taxes on investment returns and executive compensation.

A portion of accumulated investment returns is distributed annually to beneficiary programs under the University's endowment spending policy. Accumulated investment return distributed is summarized by source as follows for the years ended June 30:

	Operating			
	Without donor restrictions	With donor restrictions	Non-operating	**2020** Total
Endowment (*Note 16*)	$ 148,632	$ 266,698	$ 29,129	$ 444,459
Working capital	64	-	-	64
	$ 148,696	$ 266,698	$ 29,129	$ 444,523

	Operating			
	Without donor restrictions	With donor restrictions	Non-operating	**2019** Total
Endowment (*Note 16*)	$ 141,552	$ 256,908	$ 27,205	$ 425,665
Working capital	71	-	-	71
	$ 141,623	$ 256,908	$ 27,205	$ 425,736

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 8.
Land, Buildings and Equipment

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

	2020	2019
Land and land improvements	$ 219,543	$ 213,004
Buildings	2,869,052	2,739,200
Equipment	402,296	375,391
Construction in progress	83,061	135,767
	3,573,952	3,463,362
Less accumulated depreciation	1,045,234	945,561
	$ 2,528,718	$ 2,517,801

Depreciation expense was $102,033 and $96,815 for the years ended June 30, 2020 and 2019, respectively.

The University recorded accounts payable and construction retainage associated with construction in progress costs of $5,697 and $4,078, respectively, at June 30, 2020. Accounts payable and construction retainage associated with construction in progress costs were $12,538 and $8,443, respectively, at June 30, 2019.

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

	2020	2019
Beginning of year	$ 25,475	$ 25,330
Obligations settled	(628)	(735)
Accretion expense	884	880
End of year (*Note 11*)	$ 25,731	$ 25,475

NOTE 9.
Short-term Borrowing

During the year ended June 30, 2020, the University borrowed $125,000 under a term bank loan bearing interest at a fixed rate of 1.45 percent and maturing in April 2022, with a prepayment option effective in March 2021.

At June 30, 2020, the University maintained a $400,000 self-liquidity commercial paper program under which it could issue taxable commercial paper. The University also maintained seven unsecured lines of credit with commercial banks at June 30, 2020 in the aggregate amount of $875,000 to be utilized primarily for working capital purposes. Three lines of credit totaling $300,000 expire during the year ending June 30, 2021. Termination dates for the remaining four lines of credit totaling $575,000 ranged from January 2022 to March 2023.

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

	2020	2019
Term bank loan	$ 125,000	$ -
Commercial paper	-	125,723
Lines of credit	-	31,000
	$ 125,000	$ 156,723

Total costs incurred on short-term borrowing, including interest and related fees, were approximately $2,848 and $4,761 for the years ended June 30, 2020 and 2019, respectively.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 10.
Deferred Revenue and Refundable Advances

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

	2020	2019
Deferred ticket sales and other revenues from intercollegiate athletics	$ 41,413	$ 67,363
Deferred tuition and other student revenues	24,228	14,393
Refundable advances for research and other sponsored programs (*Note 19*)	61,855	61,848
Government advances for student loans (*Note 6*)	11,380	19,481
Other deferred revenues	7,897	3,985
	$ 146,773	$ 167,070

NOTE 11.
Deposits and Other Liabilities

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

	2020	2019
Accrued compensation and employee benefits	$ 83,198	$ 84,540
Debt-related derivative instruments (*Note 13*)	106,872	39,203
Pledges payable	9,450	41,400
Conditional asset retirement obligations (*Note 8*)	25,731	25,475
Payroll and other taxes payable	28,416	19,379
Accrued interest expense	14,600	14,422
Construction retainage (*Note 8*)	4,078	8,443
Other liabilities	17,826	17,314
	$ 290,171	$ 250,176

NOTE 12.
Bonds and Notes Payable

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

	2020	2019
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 1,215,000	$ 1,060,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds	7,890	7,890
	1,222,890	1,067,890
Obligations of consolidated company:		
Mortgage note payable	42,707	43,687
	$ 1,265,597	$ 1,111,577

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

2021	$ 1,021
2022	1,064
2023	1,109
2024	1,155
2025	38,358
Thereafter	1,222,890
	$ 1,265,597

(All amounts in thousands)

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 final maturity	*Rate of interest*	**2020**	**2019**
Series 2010	2041	4.90%	$ 160,000	$ 160,000
Series 2012	2043	3.72%	100,000	100,000
Series 2015	2045	3.44%	400,000	400,000
Series 2017	2048	3.39%	400,000	400,000
Series 2020	2030	1.64%	155,000	-
			$ 1,215,000	$ 1,060,000

Interest costs incurred on Taxable Fixed Rate Bonds were $39,067 and $38,885 during the years ended June 30, 2020 and 2019, respectively.

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

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

SJC bonds outstanding at June 30, 2020 and 2019 were from the Series 1996 issue, bearing interest at a fixed rate of 6.50 percent and maturing in 2026. Related interest costs were $513 for the years ended June 30, 2020 and 2019.

MORTGAGE NOTES

As described in *Note 1*, the University is the sole owner of a limited liability company, the activities of which are reflected in the University's consolidated financial statements. The company's assets consist primarily of real estate, the acquisition of which was financed in part with a note payable. Under the terms, the note bears interest at a fixed rate of 4.11 percent, and is due on February 1, 2025. The note is not a general obligation of the University and is fully collateralized by the property mortgaged. Interest costs of $1,774 and $1,813 related to the note are reflected within non-operating changes in net assets without donor restrictions for the years ended June 30, 2020 and 2019, respectively.

NOTE 13.
Derivative Instruments

The University utilizes interest rate swaps to manage interest rate risk associated with variable rate bonds. Although the University currently has no outstanding variable rate bonds, the University held three forward starting swaps at June 30, 2020, and one forward starting swap at June 30, 2019, in anticipation of future bond issues. Under the terms of the swap agreements, the University would pay fixed rates ranging from 0.65 to 3.24 percent and receive a variable rate equal to 100 percent of the one-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $354,894 for thirty or thirty-five-year terms beginning March 1, 2025 or March 1, 2030.

(All amounts in thousands)

The University utilizes a variety of derivative instruments within the NDEP, which may include certain options contracts, forward currency contracts, and futures contracts, the balances and activity for which are insignificant.

Derivatives by their nature bear, to varying degrees, elements of market risk and credit risk that are not reflected in the amounts recorded in financial statements. Market risk in this context represents the potential for changes in the value of 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 to its counterparty when the swaps are in a net liability position. Collateral levels are determined based on the University's credit rating and the degree of the liability position, and could extend to the full fair value of the swaps. The aggregate fair value of swaps in liability positions was $106,872 and $39,203 at June 30, 2020 and June 30, 2019, respectively, but based on the quality of its credit rating, the University had posted no collateral for these swaps at either of those dates.

The notional amounts and estimated fair values of the debt-related interest rate swaps at June 30, 2020 and 2019, respectively, are summarized below:

	2020	**2019**
Notional amounts	$ 354,894	$ 154,894
Fair value, as reflected in the statements of financial position:		
Deferred charges and other assets (*Note 4*)	6,426	-
Deposits and other liabilities (*Note 11*)	106,872	39,203

Fair value measurements are based on observable interest rates that would fall within Level 2 of the hierarchy of fair value inputs.

The net gain or loss on debt-related interest rate swaps is reported as such within non-operating changes in net assets without donor restrictions. Net losses of $61,243 and $24,710 were reported during the years ended June 30, 2020 and 2019, respectively. No periodic settlements were required during the years ended June 30, 2020 and 2019.

(All amounts in thousands)

NOTE 14.
Pension and Other Postretirement Benefits

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty, exempt staff, and non-exempt staff hired on or after January 1, 2018 participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, 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 $41,335 and $38,710 for the years ended June 30, 2020 and 2019, respectively.

DEFINED BENEFIT PENSION PLAN AND POSTRETIREMENT MEDICAL INSURANCE BENEFITS

Retirement benefits are provided for University staff under a defined benefit pension plan, for which the University serves as trustee and administrator. This plan provides benefits for certain non-exempt staff, but was closed to new participants effective January 1, 2018. Retirement benefits are based on the employee's total years of service and final average pay as defined by the plan. Plan participants are fully vested after five years of service. The University funds the plan with annual contributions that meet minimum requirements under the Employee Retirement Income Security Act of 1974 and Pension Protection Act of 2006.

Other postretirement benefit plans offered by the University provide either medical insurance benefits for retirees and their spouses or Health Reimbursement Accounts upon which Medicare-eligible retirees may draw to purchase individual Medicare supplemental coverage. 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:

	2020	2019
Liability for pension benefits:		
PBO at end of year	$ 317,717	$ 280,927
Less: Fair value of plan assets at end of year (*Note 7*)	206,840	208,092
	110,877	72,835
Liability for other postretirement benefits (APBO at year end)	59,926	48,120
	$ 170,803	$ 120,955

Notes to Consolidated Financial Statements

(All amounts in thousands)

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2020	**2019**	**2020**	**2019**
Beginning of year	$ 280,927	$ 253,300	$ 48,120	$ 43,301
Service cost	6,336	6,657	2,180	2,121
Interest cost	10,382	10,560	1,702	1,790
Actuarial loss	32,222	19,579	9,791	2,237
Benefit payments	(12,150)	(9,169)	(1,665)	(1,258)
Plan amendments	-	-	(202)	(71)
End of year	$ 317,717	$ 280,927	$ 59,926	$ 48,120

The accumulated benefit obligation associated with pension benefits was $293,639 and $259,871 at June 30, 2020 and 2019, respectively.

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

	2020	**2019**
Fair value of plan assets at beginning of year	$ 208,092	$ 193,702
Actual return on plan assets	898	11,559
Employer contributions	10,000	12,000
Benefit payments	(12,150)	(9,169)
Fair value of plan assets at end of year	$ 206,840	$ 208,092

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

	Pension benefits		*Other postretirement benefits*	
	2020	**2019**	**2020**	**2019**
Operating expense—service cost	$ 6,336	$ 6,657	$ 2,180	$ 2,121
Non-operating expenses:				
Interest cost	10,382	10,560	1,702	1,790
Expected return on plan assets	(13,495)	(12,598)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	4,887	2,781	-	-
Amortization of prior service cost/(credit)	358	358	(54)	(40)
Net amortization	5,245	3,139	(54)	(40)
Total non-operating expenses	2,132	1,101	1,648	1,750
Total net periodic benefit cost	$ 8,468	$ 7,758	$ 3,828	$ 3,871

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.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Gains or losses and other changes in the actuarially determined benefit obligations arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statements of changes in net assets. These changes are reflected net of a contra-expense adjustment for amounts recognized previously, but included as components of net periodic benefit cost in the current period. Accordingly, the net non-operating change in net assets without donor restrictions related to pension and other postretirement benefits is summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2020	**2019**	**2020**	**2019**
Net actuarial loss	$ (44,819)	$ (20,618)	$ (9,791)	$ (2,237)
Plan amendments	-	-	202	71
Adjustment for components of net periodic benefit cost recognized previously	5,245	3,139	(54)	(40)
	$ (39,574)	$ (17,479)	$ (9,643)	$ (2,206)

Cumulative amounts recognized as non-operating changes in net assets without donor restrictions that had not yet been reflected within net periodic benefit cost are summarized as follows at June 30:

	Pension benefits		*Other postretirement benefits*	
	2020	**2019**	**2020**	**2019**
Net loss	$ 109,609	$ 69,677	$ 15,279	$ 5,488
Prior service cost/(credit)	83	441	(210)	(62)
	$ 109,692	$ 70,118	$ 15,069	$ 5,426

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*	
	2020	**2019**	**2020**	**2019**
Discount rate	3.00%	3.75%	3.00%	3.75%
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2027)			7.00%	7.00%

(All amounts in thousands)

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*	
	2020	**2019**	**2020**	**2019**
Discount rate	3.75%	4.25%	3.75%	4.25%
Expected long-term rate of return on plan assets	6.50%	6.50%		
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2027)			7.00%	7.25%

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

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2020, are as follows:

	Pension benefits	*Other postretirement benefits*
2021	$ 12,316	$ 3,002
2022	12,749	3,038
2023	13,214	3,152
2024	13,690	3,218
2025	14,226	3,371

Projected aggregate payments for pension benefits and other postretirement benefits for the five-year period ending June 30, 2030 are $79,203 and $18,726, respectively. The University's estimated contributions to the defined benefit pension plan for the year ending June 30, 2021 are $10,000.

Notes to Consolidated Financial Statements

(All amounts in thousands)

DEFINED BENEFIT PENSION PLAN ASSETS

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

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

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

	2020	2019	*Target*
Short-term investments	0.9%	3.2%	0.0%
Public equities	49.8%	54.1%	55.0%
Fixed income	20.4%	19.0%	20.0%
Hedge funds	18.5%	14.2%	15.0%
Private equity	10.2%	9.1%	10.0%
Real assets	0.2%	0.4%	0.0%
	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. 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.

Fair value measurements of plan investments at June 30, 2020 and 2019, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2020				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 1,801	$ -	$ -	$ -	$ 1,801
Public equities:					
U.S.	28,177	-	-	39,861	68,038
Non-U.S.	-	-	-	34,945	34,945
Fixed income	5,319	-	-	36,864	42,183
Hedge funds	-	-	-	38,160	38,160
Private equity	-	-	-	21,130	21,130
Real assets	-	-	-	583	583
	$ 35,297	$ -	$ -	$ 171,543	$ 206,840

Notes to Consolidated Financial Statements

(All amounts in thousands)

	2019				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 6,591	$ -	$ -	$ -	$ 6,591
Public equities:					
U.S.	54,582	-	-	15,243	69,825
Non-U.S.	25,799	-	-	16,857	42,656
Fixed income	3,130	-	-	36,421	39,551
Hedge funds	-	-	-	29,574	29,574
Private equity	-	-	-	18,923	18,923
Real assets	-	-	-	972	972
	$ 90,102	$ -	$ -	$ 117,990	$ 208,092

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 $40,134 and $15,468 were uncalled at June 30, 2020 and 2019, respectively.

NOTE 15.
Net Assets

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

	2020	2019
University-designated endowment (*Note 16*)	$ 4,865,486	$ 4,580,318
Other net assets	1,584,507	1,513,851
	$ 6,449,993	$ 6,094,169

Net assets with donor restrictions are summarized as follows at June 30, 2020:

	Purpose and/or time restrictions	*Perpetual restrictions*	*Total*
Endowment funds (*Note 16*):			
Endowment and funds functioning as endowment	$ 4,557,412	$ 2,539,494	$ 7,096,906
Term endowment	428	-	428
Contributions receivable (*Note 5*)	5,613	350,989	356,602
	4,563,453	2,890,483	7,453,936
Expendable funds restricted for:			
Operating purposes	193,686	-	193,686
Investment in land, buildings and equipment	85,152	-	85,152
Contributions receivable (*Note 5*)	217,213	-	217,213
	496,051	-	496,051
Split-interest agreements (*Note 17*)	52,798	32,211	85,009
Other net assets	-	8,504	8,504
	$ 5,112,302	$ 2,931,198	$ 8,043,500

(All amounts in thousands)

Net assets with donor restrictions are summarized as follows at June 30, 2019:

	Purpose and/or time restrictions	*Perpetual restrictions*	*Total*
Endowment funds (*Note 16*)			
Endowment and funds functioning as endowment	$ 4,356,104	$ 2,331,375	$ 6,687,479
Term endowment	568	-	568
Contributions receivable (*Note 5*)	12,284	285,315	297,599
	4,368,956	2,616,690	6,985,646
Expendable funds restricted for:			
Operating purposes	171,891	-	171,891
Investment in land, buildings and equipment	142,026	-	142,026
Contributions receivable (*Note 5*)	243,466	-	243,466
	557,383	-	557,383
Split-interest agreements (*Note 17*)	45,854	26,371	72,225
Other net assets	-	8,595	8,595
	$ 4,972,193	$ 2,651,656	$ 7,623,849

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

	2020	**2019**
For operations:		
Scholarships and fellowships awarded	$ 115,366	$ 101,566
Expenditures for operating purposes	182,151	189,420
	297,517	290,986
For long-term investment	113,266	68,874
	$ 410,783	$ 359,860

NOTE 16.
Endowment

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

Expendable funds with purpose-related restrictions that have been designated as endowment at the University's discretion, as well as endowment funds for which the donor has granted the University flexibility to expend or redirect to another purpose, are classified as university-designated endowment funds *with donor restrictions*.

Notes to Consolidated Financial Statements

(All amounts in thousands)

Endowment funds at June 30, 2020, are summarized as follows:

		Without donor restrictions (Note 15)		*With donor restrictions (Note 15)*		*Total*
Funds established to support:						
Scholarships and fellowships	$	769,110	$	2,678,803	$	3,447,913
Academic, religious and student programs		439,752		1,912,198		2,351,950
Faculty chairs		185,379		1,711,989		1,897,368
Campus infrastructure		912,224		1,942		914,166
Athletics		186,084		182,004		368,088
Libraries		10,540		245,198		255,738
General operations		2,059,737		178,007		2,237,744
Other		302,660		187,193		489,853
		4,865,486		7,097,334		11,962,820
Contributions receivable (*Note 5*)		-		356,602		356,602
	$	4,865,486	$	7,453,936	$	12,319,422
Donor-restricted endowment, principal	$	-	$	2,539,510	$	2,539,510
Donor-restricted endowment, appreciation		-		3,931,804		3,931,804
University-designated endowment		4,865,486		626,020		5,491,506
		4,865,486		7,097,334		11,962,820
Contributions receivable (*Note 5*)		-		356,602		356,602
	$	4,865,486	$	7,453,936	$	12,319,422

Endowment funds at June 30, 2019, are summarized as follows:

		Without donor restrictions (Note 15)		*With donor restrictions (Note 15)*		*Total*
Funds established to support:						
Scholarships and fellowships	$	751,335	$	2,544,617	$	3,295,952
Academic, religious and student programs		405,437		1,750,018		2,155,455
Faculty chairs		174,225		1,638,333		1,812,558
Campus infrastructure		866,877		65,211		932,088
Athletics		182,144		168,418		350,562
Libraries		10,226		236,375		246,601
General operations		2,000,804		124,472		2,125,276
Other		189,270		160,603		349,873
		4,580,318		6,688,047		11,268,365
Contributions receivable (*Note 5*)		-		297,599		297,599
	$	4,580,318	$	6,985,646	$	11,565,964
Donor-restricted endowment, principal	$	-	$	2,331,645	$	2,331,645
Donor-restricted endowment, appreciation		-		3,758,121		3,758,121
University-designated endowment		4,580,318		598,281		5,178,599
		4,580,318		6,688,047		11,268,365
Contributions receivable (*Note 5*)		-		297,599		297,599
	$	4,580,318	$	6,985,646	$	11,565,964

Notes to Consolidated Financial Statements

(All amounts in thousands)

The fair value of assets associated with individual donor-restricted endowments 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, 2020 and June 30, 2019.

Endowment funds are invested primarily in the NDEP, described in *Note 7*. However, certain funds are invested outside of the NDEP in accordance with donor requirements and other considerations.

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

	Without donor restrictions	*With donor restrictions*	**2020** *Total*
Beginning of the year	$ 4,580,318	$ 6,985,646	$ 11,565,964
Contributions	96,231	261,354	357,585
Investment return:			
Investment income	11,995	21,497	33,492
Net gain on investments	338,874	449,878	788,752
Accumulated investment return distributed (*Note 7*)	(177,732)	(266,727)	(444,459)
Other changes, net[1]	15,800	2,288	18,088
	$ 4,865,486	$ 7,453,936	$ 12,319,422

	Without donor restrictions	*With donor restrictions*	**2019** *Total*
Beginning of the year	$ 4,370,115	$ 6,694,943	$ 11,065,058
Contributions	9,039	132,569	141,608
Investment return:			
Investment income	28,390	41,449	69,839
Net gain on investments	291,064	404,676	695,740
Accumulated investment return distributed (*Note 7*)	(168,728)	(256,937)	(425,665)
Other changes, net[1]	50,438	(31,054)	19,384
	$ 4,580,318	$ 6,985,646	$ 11,565,964

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

The University has adopted an endowment spending policy that attempts to meet three objectives: (1) provide a predictable, stable stream of earnings to fund participants; (2) ensure the purchasing power of this revenue stream does not decline over time; and (3) ensure the purchasing power of the endowment assets 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.

Notes to Consolidated Financial Statements

(All amounts in thousands)

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:

	Without donor restrictions	With donor restrictions	**2020** Total
Operating purposes:			
Scholarships and fellowships	$ 31,472	$ 106,171	$ 137,643
Academic, religious and student programs	12,467	72,021	84,488
Faculty chairs	6,781	65,588	72,369
Athletics	7,630	6,603	14,233
Libraries	474	9,853	10,327
General operations	88,573	6,327	94,900
Other	1,235	135	1,370
	148,632	266,698	415,330
Campus infrastructure	29,100	29	29,129
	$ 177,732	$ 266,727	$ 444,459

	Without donor restrictions	With donor restrictions	**2019** Total
Operating purposes:			
Scholarships and fellowships	$ 27,558	$ 103,386	$ 130,944
Academic, religious and student programs	9,394	67,666	77,060
Faculty chairs	6,652	63,269	69,921
Athletics	7,050	6,464	13,514
Libraries	428	9,765	10,193
General operations	89,133	5,131	94,264
Other	1,337	1,227	2,564
	141,552	256,908	398,460
Campus infrastructure	27,176	29	27,205
	$ 168,728	$ 256,937	$ 425,665

NOTE 17.
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:

	Without donor restrictions	With donor restrictions (Note 15)	**2020** Total	**2019** Total
Charitable trust assets, held in:				
NDEP (*Note 7*)	$ -	$ 279,253	$ 279,253	$ 249,127
Other investments (*Note 7*)	-	8,995	8,995	9,616
	-	288,248	288,248	258,743
Less obligations[1] associated with:				
Charitable trusts	-	196,701	196,701	181,332
Charitable gift annuities	2,965	6,538	9,503	8,310
	2,965	203,239	206,204	189,642
	$ (2,965)	$ 85,009	$ 82,044	$ 69,101

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

Notes to Consolidated Financial Statements

(All amounts in thousands)

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust and based on the nature of the agreements are designated as funds functioning as endowment. Total endowment net assets associated with the charitable gift annuity program were $29,911 and $26,786 at June 30, 2020 and 2019, respectively.

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

	Without donor restrictions	*With donor restrictions*	**2020** *Total*	**2019** *Total*
Beginning of the year	$ (3,124)	$ 72,225	$ 69,101	$ 63,929
Contributions:				
Assets received	-	27,885	27,885	20,814
Discounts recognized[1]	-	(19,416)	(19,416)	(14,097)
	-	8,469	8,469	6,717
Change in value of agreements:				
Investment return, net	-	19,485	19,485	14,809
Payments to beneficiaries	(419)	(15,813)	(16,232)	(14,912)
Actuarial adjustments and other changes in obligations	159	2,695	2,854	9,553
	(260)	6,367	6,107	9,450
Transfers and other changes, net	419	(2,052)	(1,633)	(10,995)
	$ (2,965)	$ 85,009	$ 82,044	$ 69,101

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

NOTE 18.
Net Tuition and Fees

Tuition and fees are recognized net of discounts granted in the form of undergraduate scholarships (including grants-in-aid to student-athletes) and graduate and professional fellowships. Net tuition and fees is comprised of the following for the years ended June 30:

	2020		
	Tuition and fees	*Scholarships and fellowships*	*Net tuition and fees*
Undergraduate programs	$ 486,704	$ (192,011)	$ 294,693
Graduate and professional programs	202,361	(143,602)	58,759
	$ 689,065	$ (335,613)	$ 353,452

	2019		
	Tuition and fees	*Scholarships and fellowships*	*Net tuition and fees*
Undergraduate programs	$ 465,030	$ (181,625)	$ 283,405
Graduate and professional programs	194,120	(136,170)	57,950
	$ 659,150	$ (317,795)	$ 341,355

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 19.
Grants and Contracts

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

	Direct	Indirect	2020 Total	2019 Total
Provided for:				
Research	$ 102,974	$ 27,433	$ 130,407	$ 132,975
Other sponsored programs	16,139	686	16,825	13,816
	$ 119,113	$ 28,119	$ 147,232	$ 146,791

	Direct	Indirect	2020 Total	2019 Total
Provided by:				
Federal agencies	$ 84,373	$ 25,225	$ 109,598	$ 112,731
State and local agencies	469	41	510	954
Private organizations	34,271	2,853	37,124	33,106
	$ 119,113	$ 28,119	$ 147,232	$ 146,791

As reflected in *Note 10*, the University had received $61,855 in refundable advances on awards as of June 30, 2020. In addition, the University had unexpended grant awards of approximately $166,000 for which funding has not been received. Revenue for these awards will be recognized as their associated conditions are fulfilled.

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

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $17,156 for the year ended June 30, 2020, including $8,561 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2019 were $16,384, including $7,797 in ROTC scholarships.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 20.
Sales and Services of Auxiliary Enterprises

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

	2020	2019
Intercollegiate athletics:		
Contract-based revenues	$ 115,768	$ 125,467
Other revenues	20,934	31,378
Student residential, dining and laundry revenues, net	77,397	101,365
Retail food services and hotel revenues	20,832	27,650
Event management services	3,041	13,229
Other auxiliary revenues	9,903	11,730
	$ 247,875	$ 310,819

NOTE 21.
Contengencies 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 and equipment for academic and administrative purposes under noncancelable operating leases. Minimum future payments under these lease agreements are summarized by fiscal year as follows:

2021	$ 3,001
2022	2,772
2023	2,552
2024	2,315
2025	1,786
2026 through 2080	57,461
	$ 69,887

At June 30, 2020, the University also has contractual commitments of approximately $60,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $140,000.

University Administration

As of June 30, 2020

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As of June 30, 2020

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