Annual Report

University of Notre Dame / 2015

UNIVERSITY OF NOTRE DAME

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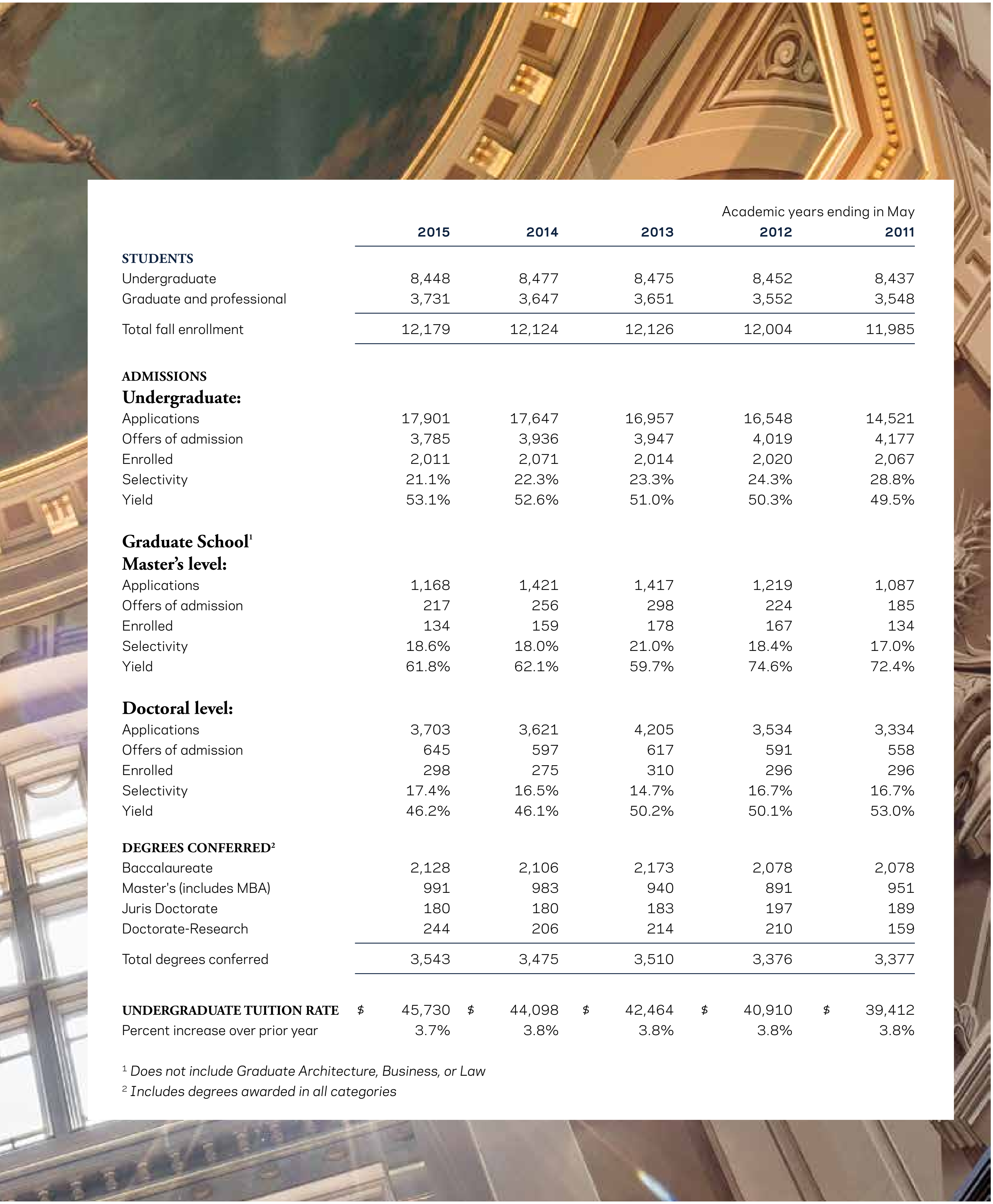
University of Notre Dame / 2015

Statistical Highlights



	2015	2014	2013	2012	2011
				Academic years ending in May	
STUDENTS					
Undergraduate	8,448	8,477	8,475	8,452	8,437
Graduate and professional	3,731	3,647	3,651	3,552	3,548
Total fall enrollment	12,179	12,124	12,126	12,004	11,985
ADMISSIONS					
Undergraduate:					
Applications	17,901	17,647	16,957	16,548	14,521
Offers of admission	3,785	3,936	3,947	4,019	4,177
Enrolled	2,011	2,071	2,014	2,020	2,067
Selectivity	21.1%	22.3%	23.3%	24.3%	28.8%
Yield	53.1%	52.6%	51.0%	50.3%	49.5%
Graduate School[1]					
Master's level:					
Applications	1,168	1,421	1,417	1,219	1,087
Offers of admission	217	256	298	224	185
Enrolled	134	159	178	167	134
Selectivity	18.6%	18.0%	21.0%	18.4%	17.0%
Yield	61.8%	62.1%	59.7%	74.6%	72.4%
Doctoral level:					
Applications	3,703	3,621	4,205	3,534	3,334
Offers of admission	645	597	617	591	558
Enrolled	298	275	310	296	296
Selectivity	17.4%	16.5%	14.7%	16.7%	16.7%
Yield	46.2%	46.1%	50.2%	50.1%	53.0%
DEGREES CONFERRED[2]					
Baccalaureate	2,128	2,106	2,173	2,078	2,078
Master's (includes MBA)	991	983	940	891	951
Juris Doctorate	180	180	183	197	189
Doctorate-Research	244	206	214	210	159
Total degrees conferred	3,543	3,475	3,510	3,376	3,377
UNDERGRADUATE TUITION RATE	$ 45,730	$ 44,098	$ 42,464	$ 40,910	$ 39,412
Percent increase over prior year	3.7%	3.8%	3.8%	3.8%	3.8%

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

2015

Letter from the President

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

> "This expansion is a reflection of the bold vision that animates us—to offer a superb undergraduate education, be a preeminent research institution, and to ensure always that all our activities are informed by our distinctive Catholic mission."

Among the great strengths of Notre Dame is that it is a place that is always evolving and growing. The signs of this are all around us—in the highly talented students we attract from around the globe, in the world-class scholars who teach and conduct ground-breaking research, and in the ways our campus continues to evolve to ensure that those who study, teach, live, and work here have the necessary facilities.

As the Campus Crossroads project begins to take shape, it is joined by several other new projects that collectively make up perhaps the most significant expansion in terms of new building construction in our University's history. These new facilities include McCourtney Hall, which will be home to collaborative research between the College of Science and College of Engineering, as well as Nanovic Hall and Jenkins Hall, which will house, respectively, the social sciences and the new Keough School of Global Affairs. The first new college opened by the University in nearly a century, the Keough School will prepare students for effective and ethically grounded professional leadership in government, the private sector, and global civil society.

In all of this, it is important to note that our progress does not occur in a vacuum, nor is it the result of chance. Rather, this expansion is a reflection of the bold vision that animates us—to offer a superb undergraduate education, be a preeminent research institution, and to ensure always that all our activities are informed by our distinctive Catholic mission. The realization of this vision requires much more than new buildings, of course. We continue to attract the very best faculty across the various disciplines, our research funding has increased dramatically, and we have significantly expanded our financial aid offerings to talented students who choose to come to Notre Dame. Our ability to maintain fiscal strength is due to our conservative policy relative to the rate of payout on our endowment and funding of new construction. This report details the University's standing in this regard and, as such, is in its own way a symbol of the growth we see manifested on our campus.

The landscape of higher education is always challenging, and it is our duty to stay vigilant amid an economic climate that is volatile at times. We should feel confident that our leadership team is prepared to adapt to changing circumstances, and we should be emboldened by our shared history and mission. Rooted in our identity as a Catholic university, Notre Dame has continued to thrive because we are committed to meeting the challenges before us, to embracing new opportunities on the horizon, and to being a force for good in the world. Thank you for the many ways you participate in and contribute to the mission of Notre Dame.

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

2015

Financial Overview

John F. Affleck-Graves

"…an unprecedented period of physical growth for our University."

As Fr. Jenkins noted, the timing of this report coincides with an unprecedented period of physical growth for our University. While these new buildings are clear examples of the remarkable stewardship of our financial resources, it is worthwhile to note not only how these projects come to be, but also why.

Each year, Notre Dame is blessed by the generosity of benefactors whose love for the University manifests itself in providing the means for future generations to come here and receive an unsurpassed educational experience. The level of engagement and support of the University among our alumni, parents, and friends is the envy of many in higher education, and is a major contributing factor in our ability to continue to attract some of the brightest young minds from around the world.

Clearly that is the case with the class of 2019, who arrived on campus this fall. These young people are representative of Notre Dame's strong tradition of bringing students with a combination of scholarship, leadership, and a service-minded outlook to our campus. During their high school careers, 35 percent of the class of 2019 headed a student organization; 45 percent were captains of a varsity sport; and over 90 percent participated in community service. Academically, this class rates among the top 15 in the nation for national research universities. In the past five years, applications at Notre Dame from the academic top one percent of the nation have gone up 67 percent.

Students are attracted to the University in part because we continue to break new ground in a wide array of research endeavors. Two Notre Dame biologists are leading an international project aimed at preventing malaria and dengue fever, after receiving a $23 million grant, the second-largest single grant awarded in our University's history. We'll learn more about the formation of our universe as our nuclear astrophysicists begin experiments a mile underground in a remote part of South Dakota. And the University's work at personalizing medical treatments is garnering national and international acclaim.

These are the hallmarks of the spirit of Notre Dame: the researcher working in a lab, the student studying for an exam, the benefactor supporting the University's collective work—all do so because they have been compelled by the mission of the University. I am grateful for the perspective they provide as we advance that mission.

John F. Affleck-Graves
Executive Vice President

2015

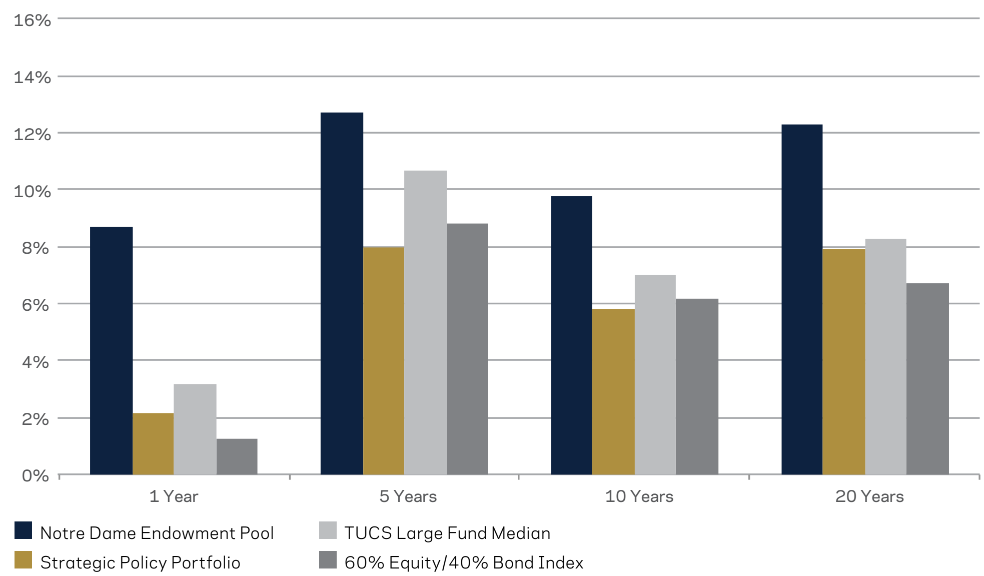
Investment Review

Scott C. Malpass

The Notre Dame Endowment Pool performed well in the fiscal year ended June 30, 2015, returning 8.7 percent net of investment management fees in a year during which the markets did not provide much reward for investors. As shown in the accompanying chart, for example, a broad market index blend of 60 percent equities and 40 percent bonds returned only 1.3 percent.

Endowment Pool Investment Performance

(Annualized returns)
Periods ended June 30, 2015



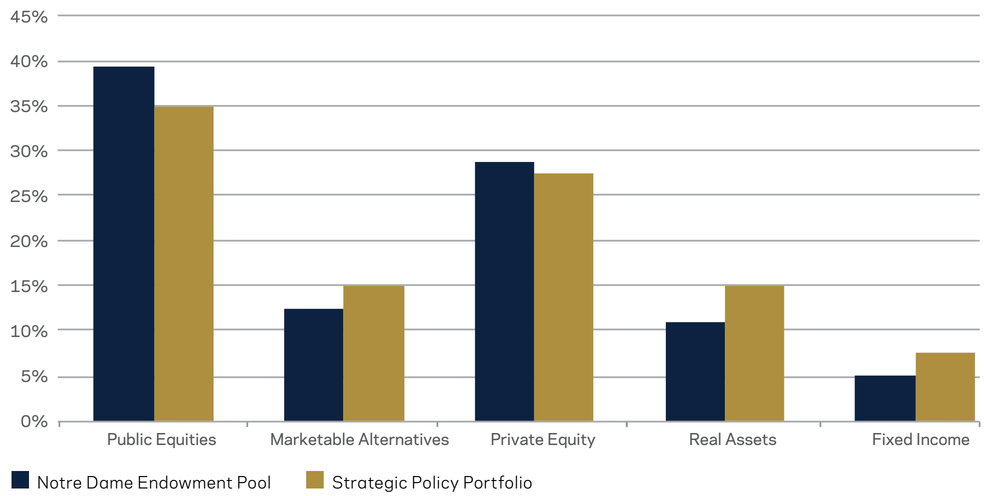
Notre Dame Endowment Pool returns are net of investment management fees. The Strategic Policy Portfolio (SPP) is Notre Dame's internal benchmark consisting of indices representative of the target investment portfolio. The Trust Universe Comparison Service (TUCS) Large Fund Median is a compilation of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

"Endowments by their nature are intended to provide financial support in perpetuity and must be managed to achieve 'intergenerational equity'…"

Led by the venture capital portfolio, private equity was the major contributor to returns and significantly outperformed public markets. Private equity also continued to be an important source of liquidity for the Endowment Pool, with distributions from prior investments notably outpacing capital calls for new investments. Public equities managers in certain emerging markets, and real estate, also provided strong returns. Asset allocation compared to the Strategic Policy Portfolio targets at the end of the fiscal year is shown below.

Endowment Pool Asset Allocation

As of June 30, 2015



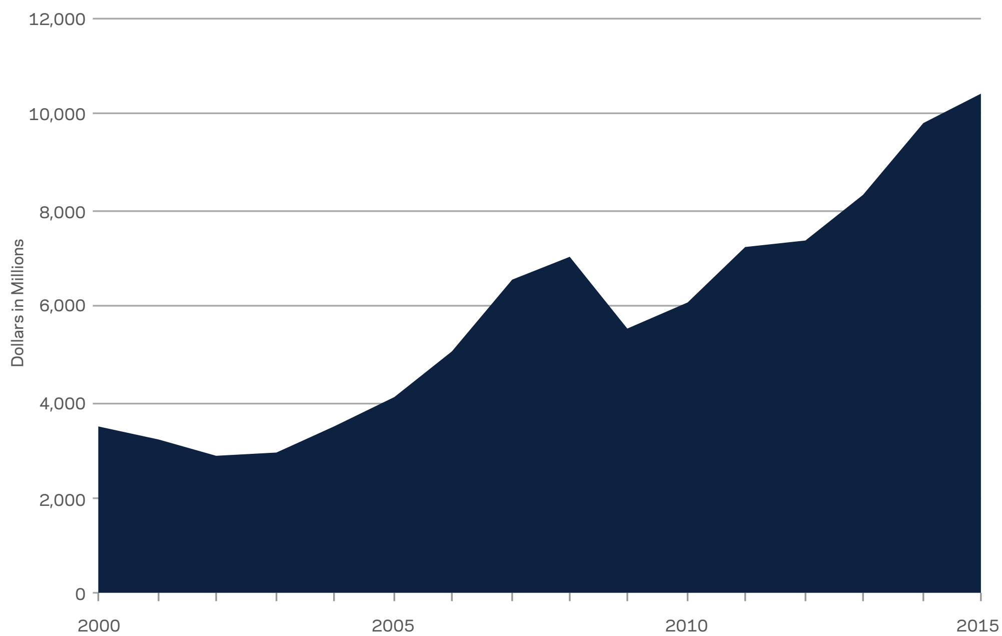
Endowments by their nature are intended to provide financial support in perpetuity and must be managed to achieve "intergenerational equity," which requires balancing the needs of current students and faculty with those of future generations. So our focus, as always, remains on investment performance over longer-term periods (shown in the chart on page 8), as the effects of compounding provide an ongoing reliable source of funding crucial to the furtherance of Notre Dame's mission. The market value of the Endowment Pool was $10.45 billion at the end of the fiscal year, and the charts on the next page show the tremendous growth in both market value and spending from the Endowment Pool in the new millennium. A prudent spending policy, also with a long-term focus, has allowed steady growth in the financial support provided by the Endowment Pool, even through the dramatic 2008 market downturn.

Spending from the Endowment Pool in fiscal 2015 was $317 million, a 5.8 percent increase over the prior year compared to the 3.7 percent increase in tuition. Endowment Pool spending funded 25 percent of the University's expenditures during the year, with 32 percent of that spending going to student financial aid. Over the 15 years shown on the spending chart at the bottom of page 11, some $3 billion has been distributed from the Endowment Pool in furtherance of the University's mission.

Scott C. Malpass
Vice President and Chief Investment Officer

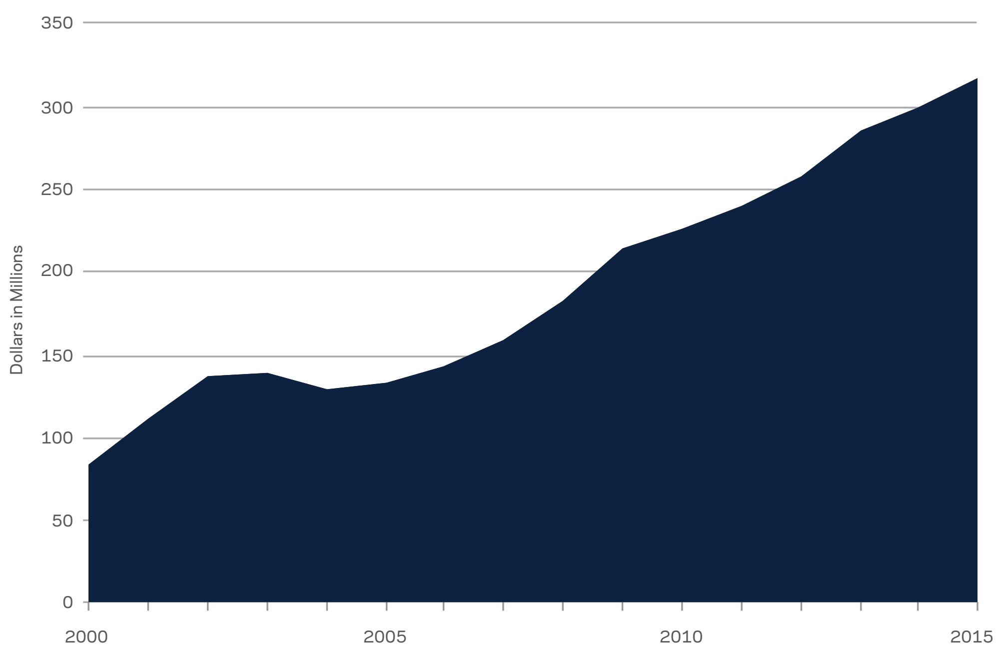
Endowment Pool Market Value

As of June 30



Endowment Pool Spending

Fiscal years ended June 30



2015

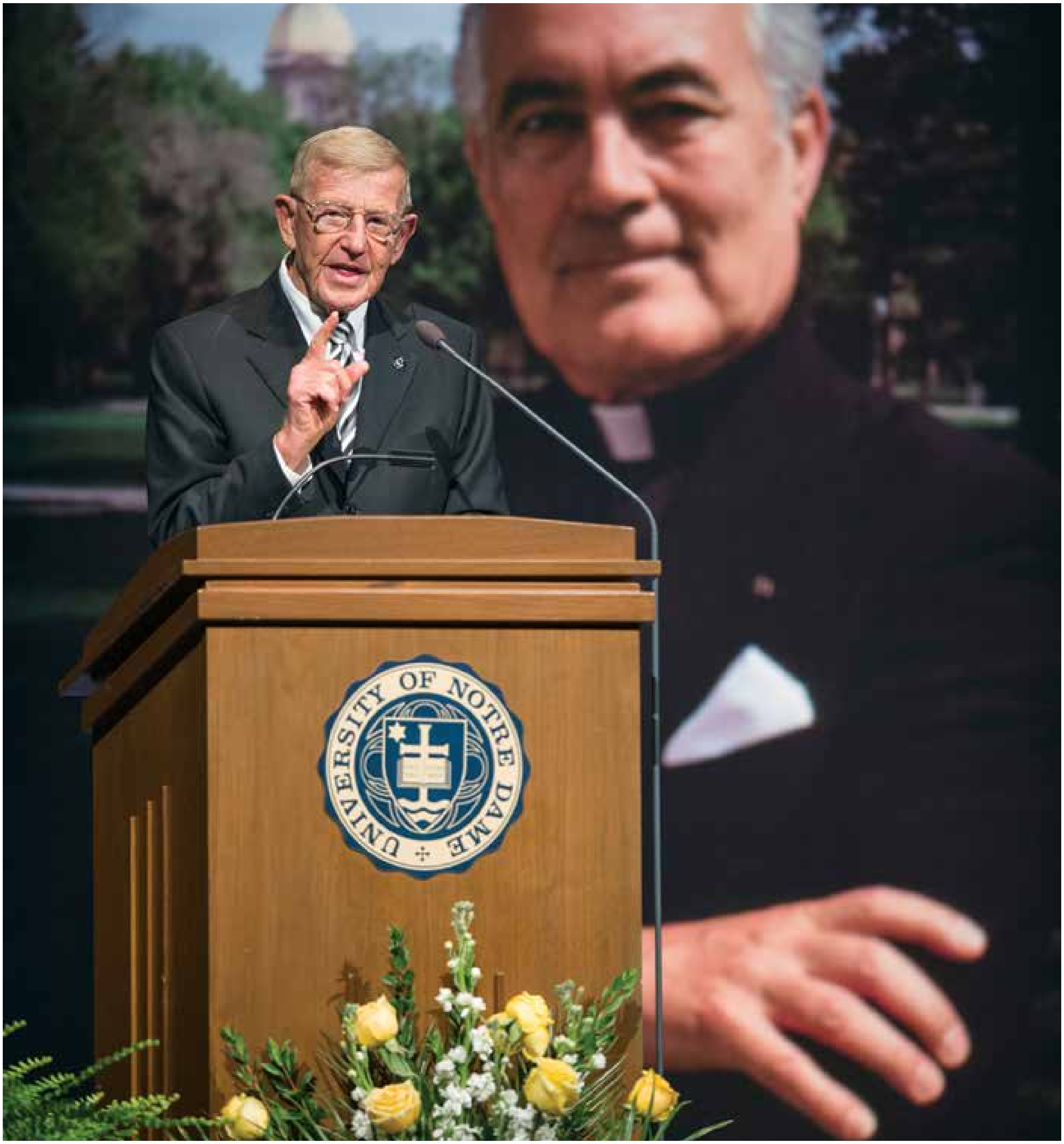
University Highlights

Donald R. Keough School of Global Affairs

The University announced the creation of its first new college or school in nearly a century—the Donald R. Keough School of Global Affairs. R. Scott Appleby, a scholar of global religion and a member of Notre Dame's faculty since 1994, was appointed the first Marilyn Keough Dean of the school. The establishment of the school, as well as the construction of Jenkins Hall to house it, was made possible by gifts totaling $50 million from Donald and Marilyn Keough, among the most generous benefactors in the University's history.

Shamrock Series in our home state's capital

The annual Shamrock Series football game took place in Indianapolis, with the Fighting Irish meeting Purdue on the field, and the University hosting academic, faith, and service events in its home state's capital.

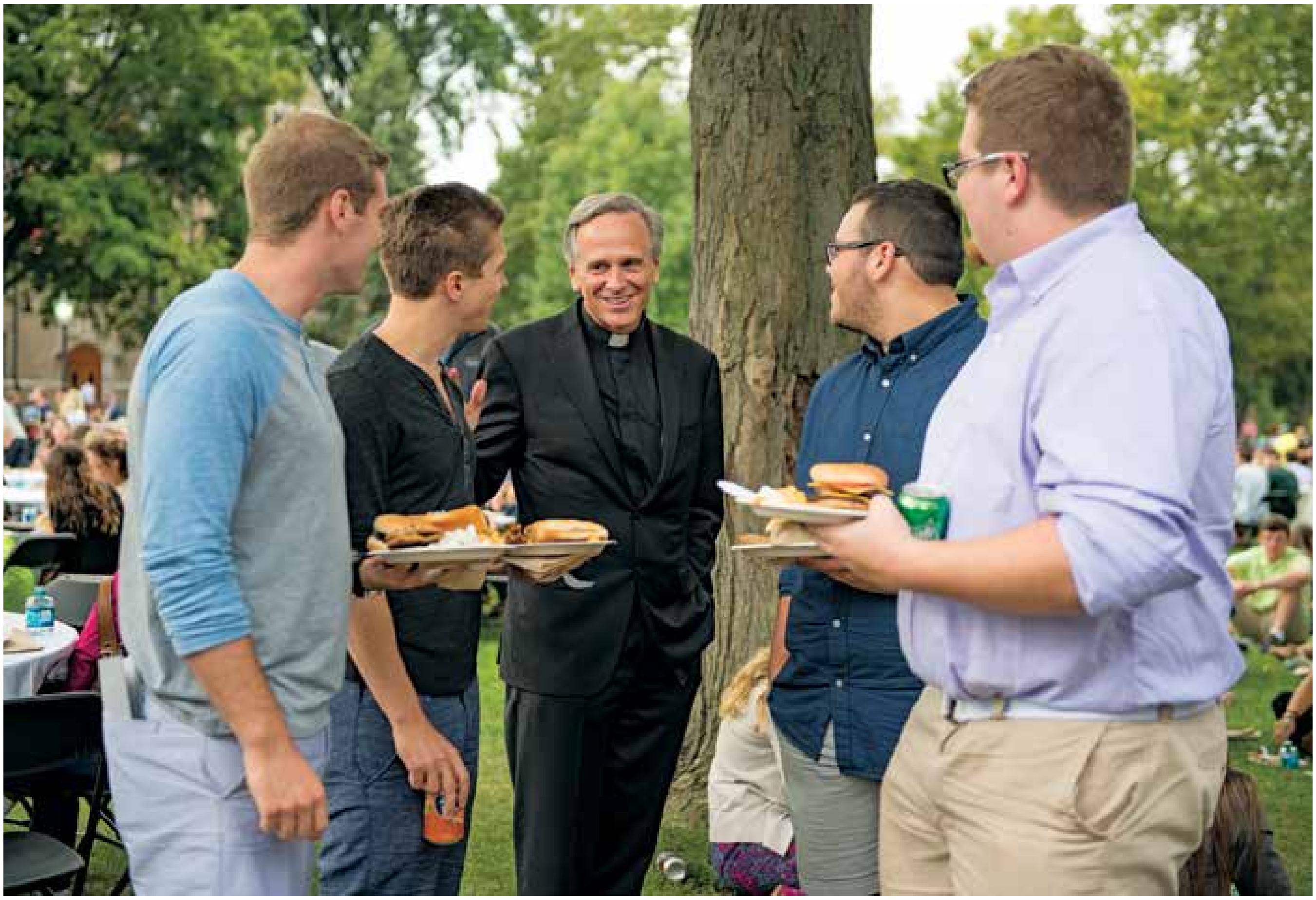


Celebrating the life and legacy of Rev. Theodore M. Hesburgh, C.S.C.

The Notre Dame community celebrated the life and legacy of Rev. Theodore M. Hesburgh, C.S.C., the University president from 1952 to 1987, who died at age 97 in late February. Recognized and revered as one of the world's most influential figures in higher education, the Catholic Church, and national and international affairs, Father Hesburgh was remembered in moving wake and funeral services, as well as at a memorial tribute that drew some 10,000 admirers and was highlighted by remembrances from former president Jimmy Carter, Condoleezza Rice, Lou Holtz, and other dignitaries.

Biggest building boom in history

Notre Dame embarked on what is arguably the biggest building boom in its history—seven new facilities with a combined 1.4 million square feet of research, classroom, residence, and student life space. The Campus Crossroads project features three structures surrounding Notre Dame Stadium: Duncan Student Center, a Music and Sacred Music building, and Corbett Family Hall, which will house the Departments of Anthropology and Psychology, as well as the Rex and Alice Martin digital media center. Other buildings rapidly rising on the campus skyline are McCourtney Hall, dedicated solely to science and engineering research; Jenkins Hall, housing the Keough School of Global Affairs and six associated international institutes; Nanovic Hall, featuring the Departments of Economics, Sociology, and Political Science and the Nanovic Institute for European Studies; and one men's and one women's residence hall. In addition, work began on a major renovation of the Hesburgh Library.



Father Jenkins elected to a third five-year term

The Board of Trustees elected Rev. John I. Jenkins, C.S.C., to a third five-year term as president of the University during its meeting in late January. Thomas G. Burish was elected to a new five-year term as provost.

Second year to host Young African Leaders Initiative (YALI)

Twenty-five young leaders from 19 countries in Africa engaged in six weeks of business training and cultural immersion at Notre Dame during the summer of 2015 as participants in the Obama administration's Young African Leaders Initiative (YALI). The program was launched in 2010 by President Barack Obama to support young African leaders in spurring economic growth, democratic governance, and peace on their continent. This was the second year that Notre Dame was among the elite group of colleges and universities chosen by the U.S. Department of State as a host institution for YALI's Mandela Washington Fellowship for Young African Leaders program.

A Notre Dame presence in California

Gregory P. Crawford, William K. Warren Foundation Dean of the College of Science and professor of physics, was appointed associate provost and vice president of the University, effective July 1, 2015. In his new role, Crawford will be charged with developing Notre Dame's presence in California, initially in the Bay Area.

New study abroad programs for undergraduates

Notre Dame International launched four new short-term study abroad programs in the summer of 2015: South Africa for Student-Athletes, Summer Greece, China Summer Language Program, and Global Gateway seminars for rising freshmen. The expansion of program offerings marks progress toward the University's goal to provide every eligible undergraduate with an opportunity to study abroad. Notre Dame is consistently ranked among the nation's top universities for undergraduate study abroad participation and sends more than half of its students abroad before graduation.

Mendoza has a renovated space in Chicago

The Mendoza College of Business expanded its presence in Chicago with a newly renovated space in its Michigan Avenue campus. The expansion houses graduate and executive business programs offered by Mendoza's Stayer Center for Executive Education, which has provided a Chicago-based Executive MBA since 2002.

Second largest research grant awarded

Biologists Nicole Achee and Neil Lobo are leaders of an international $23 million research grant from the Bill & Melinda Gates Foundation, the second largest award to a single grant proposal in Notre Dame's history. Their five-year project will generate the data required to show the effectiveness of a new paradigm in mosquito control—spatial repellency—for the prevention of two important mosquito-borne diseases: malaria and dengue fever.

New partnership with Ireland to advance spiritual, cultural, and educational missions

Notre Dame and the Benedictine Community at Kylemore Abbey in Connemara, County Galway, Ireland, have formed a partnership to create a center to advance their shared spiritual, cultural, and educational missions. The programs offered by the center will draw both upon the rich tradition of Benedictine spirituality and the academic rigor of Notre Dame. Programming, which will include courses of varied length and span a variety of academic disciplines, is expected to begin in 2016.

Top NCAA graduation success rate for student-athletes

Notre Dame once again claimed the 2014 national championship for graduating student-athletes in all sports, posting the top NCAA Graduation Success Rate figure (99) for the eighth straight year.

Collaboration between Notre Dame and region benefits local economy and University

A recent report placed the University's annual economic impact in St. Joseph County at $1.302 billion for fiscal 2014, an increase of 11.6 percent compared to when it was last measured in 2012. Combining the University's spending on payroll, purchasing, and construction with student and visitor spending—and adding a standard multiplier effect—the University accounts for a total of 14,650 jobs in St. Joseph County.

Consolidated Financial Statements

University of Notre Dame / 2015

Independent Auditor's Report

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

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, 2015 and 2014, and the related consolidated statements of changes in unrestricted net assets, changes in net assets, and 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.

Auditor's 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 at June 30, 2015 and 2014, and the changes in their unrestricted net assets, net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chicago, Illinois
November 18, 2015

Consolidated Statements of Financial Position

(in thousands)

	As of June 30 2015	2014
Assets		
Cash and cash equivalents	$ 203,593	$ 94,259
Accounts receivable, net (*Note 2*)	40,620	29,039
Deferred charges and other assets (*Note 3*)	56,202	47,367
Contributions receivable, net (*Note 4*)	433,468	307,175
Notes receivable, net (*Note 5*)	44,692	45,925
Investments (*Note 6*)	10,699,959	10,012,952
Land, buildings and equipment, net of accumulated depreciation (*Note 7*)	1,515,123	1,382,730
Total assets	$ 12,993,657	$ 11,919,447
Liabilities		
Accounts payable (*Note 7*)	$ 77,735	$ 35,875
Short-term borrowing (*Note 8*)	45,015	143,038
Deferred revenue and refundable advances (*Note 9*)	72,295	83,607
Deposits and other liabilities (*Note 10*)	115,819	97,162
Liabilities associated with investments (*Note 6*)	788,950	745,785
Obligations under split-interest agreements (*Note 16*)	144,113	121,979
Bonds and notes payable (*Note 11*)	883,628	668,532
Conditional asset retirement obligations (*Note 7*)	25,011	24,813
Pension and other postretirement benefit obligations (*Note 13*)	136,368	107,680
Government advances for student loans (*Note 5*)	29,914	29,670
Total liabilities	2,318,848	2,058,141
Net Assets		
Unrestricted (*Note 14*)	4,630,672	4,365,745
Temporarily restricted (*Note 14*)	4,169,034	3,822,008
Permanently restricted (*Note 14*)	1,875,103	1,673,553
Total net assets	10,674,809	9,861,306
Total liabilities and net assets	$ 12,993,657	$ 11,919,447

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unrestricted Net Assets

(in thousands)

	Years ended June 30 2015	2014
Operating Revenues and Other Additions		
Tuition and fees	$ 543,929	$ 521,396
Less: Tuition scholarships and fellowships	(246,010)	(233,080)
Net tuition and fees	297,919	288,316
Grants and contracts (*Note 17*)	117,263	109,809
Contributions	39,734	39,126
Accumulated investment return distributed (*Note 6*)	104,915	97,307
Sales and services of auxiliary enterprises	246,287	231,941
Other sources	49,072	47,320
Total operating revenues	855,190	813,819
Net assets released from restrictions (*Note 14*)	224,019	210,750
Total operating revenues and other additions	1,079,209	1,024,569
Operating Expenses		
Instruction	350,526	339,323
Research	115,347	107,325
Public service	27,425	27,446
Academic support	96,775	94,204
Student activities and services	49,735	46,111
General administration and support	195,047	179,888
Auxiliary enterprises	222,835	213,421
Total operating expenses	1,057,690	1,007,718
Increase in unrestricted net assets from operations	21,519	16,851
Non-Operating Changes in Unrestricted Net Assets		
Contributions	36,640	29,454
Investment income (*Note 6*)	41,843	52,216
Net gain on investments (*Note 6*)	298,770	626,762
Accumulated investment return distributed (*Note 6*)	(104,915)	(97,307)
Net loss on debt-related derivative instruments (*Note 12*)	(6,836)	(6,560)
Net assets released from restrictions (*Note 14*)	10,257	42,475
Net pension and postretirement benefits-related changes other than net periodic benefits costs (*Note 13*)	(28,019)	(9,867)
Other non-operating changes	(4,332)	1,187
Increase in unrestricted net assets from non-operating activities	243,408	638,360
Increase in unrestricted net assets	$ 264,927	$ 655,211

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

	Years ended June 30 2015	2014
Unrestricted Net Assets		
Operating revenues and other additions	$ 1,079,209	$ 1,024,569
Operating expenses	(1,057,690)	(1,007,718)
Increase in unrestricted net assets from operations	21,519	16,851
Increase in unrestricted net assets from non-operating activities	243,408	638,360
Increase in unrestricted net assets	264,927	655,211
Temporarily Restricted Net Assets		
Contributions	184,916	186,734
Investment income (*Note 6*)	45,836	60,086
Net gain on investments (*Note 6*)	350,880	740,809
Change in value of split-interest agreements (*Note 16*)	(3,311)	13,780
Net assets released from restrictions (*Note 14*)	(234,276)	(253,225)
Other changes in temporarily restricted net assets	2,981	3,665
Increase in temporarily restricted net assets	347,026	751,849
Permanently Restricted Net Assets		
Contributions	206,550	151,927
Investment income (*Note 6*)	2,076	2,615
Net gain on investments (*Note 6*)	31	323
Change in value of split-interest agreements (*Note 16*)	(4,699)	6,032
Other changes in permanently restricted net assets	(2,408)	(2,786)
Increase in permanently restricted net assets	201,550	158,111
Increase in net assets	813,503	1,565,171
Net assets at beginning of year	9,861,306	8,296,135
Net assets at end of year	$ 10,674,809	$ 9,861,306

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

	Years ended June 30	
	2015	**2014**
Cash Flows from Operating Activities		
Increase in net assets	$ 813,503	$ 1,565,171
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on investments	(649,681)	(1,367,894)
Contributions for long-term investment	(176,342)	(134,601)
Contributed securities	(108,688)	(91,291)
Proceeds from sales of securities contributed for operations	6,248	4,553
Depreciation	63,139	60,667
Loss on disposal of land, buildings and equipment	4,261	2,174
Change in contributions receivable	(126,293)	(109,472)
Change in value of split-interest agreements	9,051	(19,561)
Change in conditional asset retirement obligations	198	1,370
Change in pension and other postretirement benefit obligations	28,688	6,745
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(20,416)	1,160
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	16,445	3,123
Other, net	3,076	2,831
Net cash used by operating activities	(136,811)	(75,025)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,164,064	2,345,649
Purchases of investments	(3,137,812)	(2,340,981)
Purchases of land, buildings and equipment	(165,596)	(98,748)
Student and other loans granted	(4,403)	(4,771)
Student and other loans repaid	5,761	5,129
Net cash used by investing activities	(137,986)	(93,722)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	3,719	5,187
Contributions for long-term investment	186,820	143,444
Proceeds from sales of securities contributed for long-term investment	101,276	83,749
Proceeds from short-term borrowing	614,073	913,381
Repayment of short-term borrowing	(712,096)	(878,343)
Payments to beneficiaries of split-interest agreements	(14,228)	(11,031)
Proceeds from bonds and notes issued	409,573	-
Repayment of bonds and notes	(195,727)	(153,217)
Government advances for student loans	414	258
Cash accepted for investment on behalf of religious affiliates	19,892	21,216
Cash returned to religious affiliates	(29,585)	(10,202)
Net cash provided by financing activities	384,131	114,442
Net change in cash and cash equivalents	109,334	(54,305)
Cash and cash equivalents at beginning of year	94,259	148,564
Cash and cash equivalents at end of year	$ 203,593	$ 94,259
Supplemental Data		
Interest paid	$ 22,875	$ 25,158

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 and operations of certain other entities under the financial control of the University of Notre Dame du Lac. The University of Notre Dame du Lac and entities included herein are referred to individually and collectively as the "University."

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

> *Unrestricted Net Assets* – Net assets not subject to donor-imposed restrictions and available for any purpose consistent with the University's mission. Revenues are generally reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by unrestricted funds functioning as endowment and other sources are classified as changes in unrestricted net assets. Operating expenses are reported as decreases in unrestricted net assets.
>
> *Temporarily Restricted Net Assets* – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the University and/or passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets. Subject to the University's endowment spending policy and any restrictions on use imposed by donors, accumulated investment returns on donor-restricted endowments are generally available for appropriation to support operational needs. Temporarily restricted contributions or investment returns received and expended within the same fiscal period are reported as increases in temporarily restricted net assets and net assets released from restrictions, respectively.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions requiring they be maintained permanently. Permanently restricted net assets are generally restricted to long-term investment and are comprised primarily of donor-restricted endowment funds. The University classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

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

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

Notes to Consolidated Financial Statements

(All amounts in thousands)

Grants and Contracts

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

Auxiliary Enterprises

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

Cash and Cash Equivalents

Resources invested in money market funds, overnight reverse repurchase agreements and other short-term investments with maturities at date of purchase of three months or less are classified as cash equivalents, except that any such investments purchased by external investment managers are classified as investments. Overnight reverse repurchase agreements with banks are secured by U.S. Government securities. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation limits.

Accounts Receivable

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

Contributions Receivable

Pledges that represent unconditional promises to give are recognized at fair value as contributions—either temporarily restricted or permanently restricted—in the period such promises are made by donors. Contributions recognized as such during the year ended June 30, 2009 and subsequent periods are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Contributions recognized in prior periods under such commitments were recorded at a discount based on a U.S. Treasury rate. Amortization of the discounts is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based upon management's expectations regarding collection of outstanding promises to give and past collection experience.

Notes Receivable

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

Investments

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

As described in *Note 12,* the University utilizes certain derivative instruments to manage risks associated with its investment portfolio. These instruments are stated at fair value. Open futures and options contracts are primarily valued at the closing exchange quotations on the last business day of the fiscal year. The fair value of certain over-the-counter contracts for which market quotations are not readily available is based upon third party pricing services, broker quotes or models with externally verifiable inputs. When appropriate, independent appraisers may also be engaged to assist in the valuation of such instruments. The fair value of forward currency exchange contracts is estimated using quotes obtained from foreign exchange dealers. Where management believes a legal right of offset exists under an enforceable netting agreement, the fair value of these contracts is reported on a net-by-counterparty basis. Gains or losses resulting from changes in the fair value of derivative instruments associated with the investment portfolio or periodic net cash settlements with counterparties are recorded as gains or losses on investments.

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

Debt-Related Derivative Instruments

The University utilizes derivative instruments in a limited manner outside of its investment portfolio. As described in *Notes 11* and *12,* interest rate swap agreements are used to manage interest rate risk associated with variable rate bond obligations. These instruments are reported in the consolidated statements of financial position at fair value. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. Any gains or losses resulting from changes in the fair value of these instruments or periodic net cash settlements with counterparties, including settlements related to the termination of such instruments, are recognized as non-operating changes in unrestricted net assets.

Land, Buildings and Equipment

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

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

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

Split-Interest Agreements

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability 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 results 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.

During the year ended June 30, 2015, the University adopted the guidance in Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Accordingly, fair value measurements of investment assets for which the measurement was based on NAV (or its equivalent) as provided by an external manager are categorized outside the fair value hierarchy (i.e., Level 1 through Level 3) in fair value information disclosed in *Note 6* and *Note 13*. Fair value hierarchy information as of and for the year ended June 30, 2014 has been reclassified to conform to this presentation.

Use of Estimates

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

Subsequent Events

The University has evaluated subsequent events through November 18, 2015, the date the financial statements were issued. No events requiring disclosure were identified.

Tax Status

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

Reclassifications

Certain fiscal 2014 amounts within the consolidated statements of cash flows have been reclassified to conform to 2015 presentation.

Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 2.
ACCOUNTS RECEIVABLE
Accounts receivable are summarized as follows at June 30:

		2015		2014
Research and other sponsored programs support	$	22,180	$	17,310
Student receivables		1,682		1,716
Other receivables		17,257		10,649
		41,119		29,675
Less allowances for uncollectible amounts		499		636
	$	40,620	$	29,039

Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2015 and 2014.

NOTE 3.
DEFERRED CHARGES AND OTHER ASSETS
Deferred charges and other assets are summarized as follows at June 30:

		2015		2014
Prepaid expenses	$	25,513	$	23,083
Retail and other inventories		8,943		10,027
Goodwill		6,455		-
Beneficial interests in perpetual trusts (*Note 14*)		5,581		5,720
Debt-related derivative instruments (*Note 12*)		4,502		3,830
Other deferred charges		5,208		4,707
	$	56,202	$	47,367

NOTE 4.
CONTRIBUTIONS RECEIVABLE
Contributions receivable are summarized as follows at June 30:

		2015		2014
Unconditional promises expected to be collected in:				
Less than one year	$	133,716	$	98,453
One year to five years		242,524		164,677
More than five years		186,206		156,440
		562,446		419,570
Less:				
Unamortized discounts		109,944		90,148
Allowances for uncollectible amounts		19,034		22,247
		128,978		112,395
	$	433,468	$	307,175

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2015 and 2014. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2015 and 2014.

(All amounts in thousands)

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

	2015	2014
Temporarily restricted for:		
Operating purposes	$ 45,535	$ 43,658
Investment in land, buildings and equipment	170,504	114,177
Funds functioning as endowment (*Note 15*)	11,234	10,394
Total temporarily restricted (*Note 14*)	227,273	168,229
Permanently restricted for endowment (*Notes 14* and *15*)	206,195	138,946
	$ 433,468	$ 307,175

As of June 30, 2015, the University had received documented conditional pledges of $34,580 which are not reflected in the accompanying consolidated financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 5.

NOTES RECEIVABLE

Notes receivable are summarized as follows at June 30:

	2015	2014
Student notes receivable, related to:		
Government sponsored loan programs	$ 31,573	$ 32,849
Institutional student loans	702	845
	32,275	33,694
Less allowances for uncollectible student notes	2,203	2,153
	30,072	31,541
Other notes receivable	14,620	14,384
	$ 44,692	$ 45,925

Government advances to the University for student loan funding, primarily under the Perkins Loan program, totaled $29,914 and $29,670 at June 30, 2015 and 2014, respectively. Due to significant restrictions that apply to government sponsored student loans, determining the fair value of student notes receivable is not practicable.

Total balances on student notes receivable in past due status were $2,923 and $2,918 at June 30, 2015 and 2014, respectively. The delinquent portions of these balances were $1,800 and $1,709, respectively. Activity within allowances for uncollectible student notes was insignificant.

The estimated fair value of non-student notes receivable approximated the carrying amount at June 30, 2015 and 2014.

(All amounts in thousands)

NOTE 6.

INVESTMENTS

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

	2015	2014
Notre Dame Endowment Pool assets	$ 10,400,662	$ 9,771,512
Other investments, associated with:		
Endowment and funds functioning as endowment	47,468	53,583
Working capital and other University designations	85,530	20,619
Split-interest agreements (*Note 16*)	10,521	14,290
Defined benefit pension plan (*Note 13*)	155,778	152,948
	299,297	241,440
	$ 10,699,959	$ 10,012,952

Liabilities associated with investments include the following at June 30:

	2015	2014
Notre Dame Endowment Pool liabilities	$ 211	$ 63
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	632,961	592,774
Defined benefit pension plan (*Note 13*)	155,778	152,948
	$ 788,950	$ 745,785

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:

	2015	2014
NDEP assets	$ 10,400,662	$ 9,771,512
NDEP liabilities[1] (*Note 12*)	(211)	(63)
NDEP net assets reflected within the financial statements	10,400,451	9,771,449
Equity interest in consolidated company[2]	53,541	40,741
NDEP net assets unitized	$ 10,453,992	$ 9,812,190

[1]*Represents the fair value of derivative instrument liabilities.*

[2]*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, $53,541 and $40,741 at June 30, 2015 and 2014, respectively, is included in NDEP net assets for unitization purposes.*

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

	2015	2014
Endowment and funds functioning as endowment	$ 8,476,201	$ 7,944,227
Working capital and other University designations	1,132,904	1,083,529
Student loan funds	995	925
Split-interest agreements (*Note 16*)	210,931	190,735
Funds invested on behalf of religious affiliates[3]	632,961	592,774
	$ 10,453,992	$ 9,812,190

[3]*NDEP holdings were redeemable by religious affiliates at $4,688.24 and $4,371.38 per unit (whole dollars) at June 30, 2015 and 2014, respectively.*

(All amounts in thousands)

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

Investment assets are summarized in the following tables by asset class at June 30, 2015 and 2014, respectively:

	2015		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 308,134	$ 741	$ 308,875
Public equities	4,236,117	74,245	4,310,362
Fixed income securities	497,748	59,262	557,010
Marketable alternatives	1,300,601	402	1,301,003
Private equity	2,966,666	3,133	2,969,799
Real estate	670,123	5,736	675,859
Other real assets	421,273	-	421,273
	10,400,662	143,519	10,544,181
Defined benefit pension plan investments (*Note 13*)	-	155,778	155,778
	$ 10,400,662	$ 299,297	$ 10,699,959

	2014		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 362,973	$ 651	$ 363,624
Public equities	3,685,945	72,063	3,758,008
Fixed income securities	486,059	8,077	494,136
Marketable alternatives	1,178,771	378	1,179,149
Private equity	2,770,434	2,758	2,773,192
Real estate	692,434	4,565	696,999
Other real assets	594,896	-	594,896
	9,771,512	88,492	9,860,004
Defined benefit pension plan investments (*Note 13*)	-	152,948	152,948
	$ 9,771,512	$ 241,440	$ 10,012,952

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 (see *Note 12* for further information about derivative instruments). Public equities cover the U.S. as well as both developed and emerging markets overseas, and long/short hedge funds. Marketable alternatives encompass other hedge fund strategies less correlated with broad equities markets. This includes credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. Private equity primarily includes domestic and foreign buyout and venture capital funds. Other real assets represents investments in energy and commodities.

(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:

	2015	2014
Public equities	$ 31,038	$ 25,364
Marketable alternatives	153,835	217,981
Private equity	1,035,584	1,085,667
Real estate	150,945	197,155
Other real assets	204,435	139,516
	$ 1,575,837	$ 1,665,683

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2015 and 2014, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

2015	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 287,381	$ 2,135	$ -	$ 19,359	$ 308,875
Public equities:					
U.S.	819,723	-	-	535,991	1,355,714
Non-U.S.	373,861	-	-	1,238,141	1,612,002
Long/short strategies	-	-	-	1,342,646	1,342,646
Fixed income securities	132,998	172,964	1,770	249,278	557,010
Marketable alternatives	-	-	-	1,301,003	1,301,003
Private equity	-	-	3,133	2,966,666	2,969,799
Real estate	65,996	-	5,579	604,284	675,859
Other real assets	386	290	132,771	287,826	421,273
	$ 1,680,345	$ 175,389	$ 143,253	$ 8,545,194	$ 10,544,181

2014	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 260,860	$ 102,764	$ -	$ -	$ 363,624
Public equities:					
U.S.	716,159	-	-	460,802	1,176,961
Non-U.S.	212,432	-	-	1,228,922	1,441,354
Long/short strategies	-	-	-	1,139,693	1,139,693
Fixed income securities	118,704	53,990	-	321,442	494,136
Marketable alternatives	-	-	-	1,179,149	1,179,149
Private equity	-	-	75,033	2,698,159	2,773,192
Real estate	38,517	-	4,415	654,067	696,999
Other real assets	489	-	199,143	395,264	594,896
	$ 1,347,161	$ 156,754	$ 278,591	$ 8,077,498	$ 9,860,004

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

(All amounts in thousands)

Investments in funds within public equities and marketable alternatives 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. Investments in funds measured at NAV within fixed income are not subject to lockups and generally allow for withdrawals on a daily or monthly basis. Most funds measured at NAV within private equity, real estate and other real assets, as well as certain marketable alternatives funds, are not redeemable at the direction of the investor. These funds make distributions to investing partners as the underlying assets of the funds are liquidated. The University expects the underlying assets of these funds to be substantially liquidated over the next five to ten years, the timing of which would vary by fund and depend on market conditions as well as other factors.

At June 30, 2014, the fair value of a single Level 3 investment in private company stock was measured based on recent transaction activity. The $72,275 fair value of the investment was reflected within Level 3 private equity investments at June 30, 2014, as the University's shares were subject to a restriction on liquidation that extended until January 2015. The shares were liquidated prior to June 30, 2015.

At June 30, 2015 and 2014, the fair value of a Level 3 partnership investment 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 $132,771 and $199,143 at June 30, 2015 and 2014, 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, 2015:

	Beginning Balance	Acquisitions	Dispositions	Net realized/ unrealized gain/(loss)	Ending Balance
Fixed income securities	$ -	$ 2,244	$ (467)	$ (7)	$ 1,770
Private equity	75,033	942	(85,989)	13,147	3,133
Real estate	4,415	1,164	-	-	5,579
Other real assets	199,143	-	(27,225)	(39,147)	132,771
	$ 278,591	$ 4,350	$ (113,681)	$ (26,007)	$ 143,253

During the year ended June 30, 2015, the University recognized net unrealized losses of $63,444 on investments still held at June 30, 2015 for which fair value is measured using Level 3 inputs. There were no transfers between levels during the year ended June 30, 2015.

(All amounts in thousands)

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2014:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gain*	*Ending Balance*
Private equity	$ 71,520	$ 893	$ (1,408)	$ 4,028	$ 75,033
Real estate	1,770	2,645	-	-	4,415
Other real assets	168,066	5,645	(15,444)	40,876	199,143
	$ 241,356	$ 9,183	$ (16,852)	$ 44,904	$ 278,591

During the year ended June 30, 2014, the University recognized net unrealized gains of $30,701 on investments still held at June 30, 2014 for which fair value is measured using Level 3 inputs. There were no transfers between levels during the year ended June 30, 2014.

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

Investment Return

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

	2015	**2014**
Investment income, net	$ 89,755	$ 114,917
Net gain on investments:		
Realized gains, net	617,263	499,162
Unrealized gains, net	32,418	868,732
	649,681	1,367,894
	$ 739,436	$ 1,482,811

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2015** *Total*	**2014** *Total*
Investment income, net	$ 41,843	$ 45,836	$ 2,076	$ 89,755	$ 114,917
Net gain on investments	298,770	350,880	31	649,681	1,367,894
	$ 340,613	$ 396,716	$ 2,107	$ 739,436	$ 1,482,811

Investment income is reported net of related expenses of $49,282 and $38,381 for the years ended June 30, 2015 and 2014, respectively. Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations.

(All amounts in thousands)

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

	Unrestricted		*Temporarily*	**2015**	**2014**
	Operating	*Non-operating*	*restricted*	*Total*	*Total*
Endowment (*Note 15*)	$ 70,696	$ 16,424	$ 197,534	$ 284,654	$ 270,748
Working capital	34,219	-	-	34,219	29,885
	$ 104,915	$ 16,424	$ 197,534	$ 318,873	$ 300,633

NOTE 7.

LAND, BUILDINGS AND EQUIPMENT

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

	2015	**2014**
Land and land improvements	$ 153,730	$ 148,568
Buildings	1,586,202	1,538,367
Equipment	279,993	270,643
Construction in progress	177,841	49,488
	2,197,766	2,007,066
Less accumulated depreciation	682,643	624,336
	$ 1,515,123	$ 1,382,730

Depreciation expense was $63,139 and $60,667 for the years ended June 30, 2015 and 2014, respectively.

The University recorded accounts payable associated with construction in progress costs of $44,930 and $14,929 at June 30, 2015 and 2014, respectively.

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

	2015	**2014**
Beginning of year	$ 24,813	$ 23,443
Obligations settled	(675)	(586)
Accretion expense	873	845
Revisions in estimated cash flows	-	1,111
End of year	$ 25,011	$ 24,813

(All amounts in thousands)

NOTE 8.
SHORT-TERM BORROWING

The University maintains a $200,000 commercial paper program under which it may issue either standard or extendible municipal commercial paper through St. Joseph County, Indiana on behalf of the University. Standard municipal commercial paper issues are supported by a $200,000 standby credit facility with a major commercial bank. Interest on commercial paper may be either taxable or tax-exempt to investors, depending on the University's intended use of the proceeds. Generally, tax-exempt commercial paper is issued to finance the purchase of equipment and improvements to educational facilities, while taxable commercial paper is issued to provide funding for general uses.

The University also maintains unsecured lines of credit with commercial banks in the aggregate amount of $325,000 to be utilized primarily for working capital purposes. Termination dates on lines of credit available at June 30, 2015 ranged from January 2016 to April 2018.

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

	2015	2014
Standard taxable commercial paper	$ 37,015	$ 85,038
Lines of credit	8,000	58,000
	$ 45,015	$ 143,038

Total interest costs incurred on short-term borrowing were approximately $326 and $291 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9.
DEFERRED REVENUE AND REFUNDABLE ADVANCES

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

	2015	2014
Deferred ticket sales and other revenues from intercollegiate athletics	$ 27,297	$ 47,309
Deferred tuition and other student revenues	12,650	11,190
Refundable advances for research and other sponsored programs	30,115	22,787
Other deferred revenues	2,233	2,321
	$ 72,295	$ 83,607

NOTE 10.
DEPOSITS AND OTHER LIABILITIES

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

	2015	2014
Accrued compensation and employee benefits	$ 56,912	$ 42,969
Payroll and other taxes payable	11,579	11,746
Accrued interest expense	11,709	6,552
Debt-related derivative instruments (*Note 12*)	7,314	11,922
Student organization funds and other deposits	6,186	7,755
Self-insurance reserves	6,749	8,090
Pledges payable and other liabilities	15,370	8,128
	$ 115,819	$ 97,162

(All amounts in thousands)

NOTE 11.
BONDS AND NOTES PAYABLE

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

	2015	2014
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 660,000	$ 260,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds[1]	160,963	356,252
Mortgage notes payable	15,435	15,435
	836,398	631,687
Obligations of consolidated company:		
Mortgage note payable	47,230	36,845
	$ 883,628	$ 668,532

[1]Includes the unamortized Series 2009 bond premium of $6,508 and $6,687 at June 30, 2015 and 2014, respectively.

The estimated fair value of bond and note obligations was $898,444 and $724,214 at June 30, 2015 and 2014, respectively. Fair value measurements of bonds and notes are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The aggregate scheduled maturities of bonds and notes payable are summarized by fiscal year as follows:

2016	$ 832
2017	1,393
2018	1,435
2019	1,479
2020	1,524
Thereafter	870,457
	$ 877,120

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:

	Year of maturity	*Rate of interest*	2015	2014
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	-
			$ 660,000	$ 260,000

Proceeds from the Series 2015 bonds were net of $1,429 in underwriters' discounts, which are reflected within operating expenses for the year ended June 30, 2015.

Interest costs incurred on Taxable Fixed Rate Bonds were $17,644 and $12,595 during the years ended June 30, 2015 and 2014, respectively.

(All amounts in thousands)

St. Joseph County (Indiana) Educational Facilities Revenue Bonds

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

	Year of maturity	*Current rate of interest*	**2015**	**2014**
Issues bearing variable rates:				
Series 2003	2038[1]		$ -	$ 45,110
Series 2005	2040[1]		-	75,000
Series 2007	2042[1]		-	75,000
			-	195,110
Issues bearing fixed rates:				
Series 1996	2026	6.50%	7,890	7,890
Series 2009[2]	2036	5.00%	153,073	153,252
			160,963	161,142
			$ 160,963	$ 356,252

[1]Refunded during the year ended June 30, 2015.

[2]Carrying amount includes the unamortized premium of $6,508 and $6,687 at June 30, 2015 and 2014, respectively.

The University utilizes interest rate swap agreements (see also *Note 12*) as a strategy for managing interest rate risk associated with variable rate SJC bond issues. After refunding each of the variable rate SJC bond issues during the year ending June 30, 2015, the swaps associated with these bonds were restructured to forward starting swaps in anticipation of a future variable rate bond issue. Under the terms of the restructured swap agreements in effect at June 30, 2015, the University will pay fixed rates ranging from 2.83 percent to 7.10 percent and receive variable rates equal to 100 percent of the one-month or three-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $154,894 beginning on March 1, 2018, with no periodic settlements in the interim. The University incurred an upfront cost of $8,329 to restructure the swaps, which is recognized as a non-operating change in unrestricted net assets during the year ended June 30, 2015. The estimated fair value of interest rate swaps was a net unrealized loss position of $2,812 and $8,092 at June 30, 2015 and 2014, respectively.

Interest costs incurred on SJC bonds and periodic net settlements paid to counterparties pursuant to associated interest rate swaps are summarized below for the years ended June 30:

	2015		**2014**	
	Interest expense[1]	*Net periodic settlements*	*Interest expense[1]*	*Net periodic settlements*
Issues bearing variable rates	$ 29	$ 3,787	$ 75	$ 5,276
Issues bearing fixed rates	7,482	-	7,670	-
	$ 7,511	$ 3,787	$ 7,745	$ 5,276

[1]Includes amortization of Series 2009 premium of $179 and $171 for the years ended June 30, 2015 and 2014, respectively. The premium is amortized using the effective interest method over the period the bonds are outstanding.

Mortgage Notes

Mortgage notes in the amount of $15,435 bear interest at a fixed rate of 1.103 percent and are due on July 1, 2042. These notes are collateralized by the facilities to which they relate. The University incurred interest costs of $173 on the notes during the years ended June 30, 2015 and 2014.

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, the outstanding balance of which was refinanced during the year ended June 30, 2015. The company obtained additional proceeds of $11,002 in the refinancing, which is reflected in the $47,230 principal balance outstanding at June 30, 2015. Under the new 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 $1,929 and $2,031 related to the note are reflected within non-operating changes in unrestricted net assets for the years ended June 30, 2015 and 2014, respectively.

NOTE 12.

DERIVATIVE INSTRUMENTS

The University utilizes a variety of derivative instruments within the NDEP, including certain options contracts, forward currency contracts and futures contracts. As described in *Note 11,* the University also utilizes interest rate swap agreements to manage interest rate risk associated with its variable rate bond obligations.

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.

Collateral associated with NDEP derivatives is moved as required by market fluctuations, and is generally in the form of cash or cash equivalents. Interest rate swaps described in *Note 11* have credit-risk-related contingent features that could require the University to post collateral on instruments in net liability positions in the event of a downgrade to the rating on the University's debt. The aggregate fair value of interest rate swaps with credit-risk-related contingent features that were in liability positions was $7,314 and $11,922 at June 30, 2015 and 2014, respectively. If the credit-risk-related contingent features associated with these instruments had been triggered, the University would have been required to post collateral to its counterparties in an amount up to the full liability position of the instruments, depending on the level of the University's credit rating. Based on the quality of its credit rating, the University had posted no collateral associated with these instruments at June 30, 2015.

(All amounts in thousands)

The estimated fair values of derivative assets and liabilities at June 30, 2015 and 2014, respectively, are summarized below, along with the net gains and losses for the respective years then ended:

2015	Notional amounts	Derivative assets	Derivative liabilities	Net gain/(loss)
NDEP derivatives:				
Interest rate contracts[1]	$ 511,024	$ 628	$ -	$ (1,528)
Forward currency contracts[1]	3,252	-	2	(328)
Futures contracts[2]	103,723	111	209	1,974
		$ 739	$ 211	$ 118
Debt-related derivatives:				
Interest rate contracts[1,3]	$ 154,894	$ 4,502	$ 7,314	$ (6,836)

2014	Notional amounts	Derivative assets	Derivative liabilities	Net gain/(loss)
NDEP derivatives:				
Interest rate contracts[1]	$ 511,024	$ 2,155	$ -	$ (5,678)
Equity contracts[1]	-	-	-	9,402
Forward currency contracts[1]	1,002	-	1	(224)
Futures contracts[2]	107,194	23	62	1,363
		$ 2,178	$ 63	$ 4,863
Debt-related derivatives:				
Interest rate contracts[1]	$ 188,755	$ 3,830	$ 11,922	$ (6,560)

[1]*Fair value measurements of over-the-counter derivative instruments are based on observable inputs, such as relevant interest rates and commodity prices, that fall within Level 2 of the hierarchy of fair value inputs.*

[2]*Futures contracts are exchange-traded. Fair value is based on quoted prices that fall within Level 1 of the hierarchy of fair value inputs. Notional amounts on futures represent long exposures at June 30, 2015 and 2014.*

[3]*The net loss on interest rate contracts includes $8,329 in restructuring costs incurred during the year ending June 30, 2015 as described in Note 11.*

Gross and net-by-counterparty derivative assets and liabilities were substantially the same at June 30, 2015 and 2014.

(All amounts in thousands)

Derivative assets and liabilities are reflected within the following lines of the consolidated statements of financial position at June 30:

		2015		2014
NDEP derivatives:				
Investments[1]	$	739	$	2,178
Liabilities associated with investments (*Note 6*)		211		63
Debt-related derivatives:				
Deferred charges and other assets (*Note 3*)	$	4,502	$	3,830
Deposits and other liabilities (*Note 10*)		7,314		11,922

[1]*Reflected within the "Short-term investments" investment class in Note 6.*

Certain options contracts may be employed within the NDEP with the intent of protecting the investment portfolio against significant fluctuations in interest rates, commodity prices and other market fluctuations. Interest rate contracts held in the NDEP are fully collateralized at June 30, 2015. Forward currency contracts are utilized to settle planned purchases or sales, for investment purposes, and to mitigate the impact of exchange rate fluctuations on the U.S. dollar value of NDEP international holdings. A variety of currency, interest rate, equity, bond and commodities futures contracts are also employed in the NDEP to manage exposure to various financial markets.

Gains and losses on derivative instruments held in the NDEP are primarily included in the net gain or loss on investments as reflected in the consolidated financial statements. However, due to the pooled nature of the NDEP, a minor portion of these gains and losses is attributed to NDEP holdings of split-interest agreements and the University's religious affiliates. The net gain or loss on debt-related derivatives (interest rate swaps associated with the University's variable rate bonds) is reported as such within non-operating changes in unrestricted net assets.

NOTE 13.
PENSION AND OTHER POSTRETIREMENT BENEFITS

Defined Contribution Retirement Savings Plan

Faculty and exempt staff participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operated under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also participate in the plan on a voluntary basis by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan, and may direct their contributions and the University's contributions on their behalf to selected fund sponsors. The University's share of the cost of these benefits was $29,751 and $28,096 for the years ended June 30, 2015 and 2014, respectively.

(All amounts in thousands)

Defined Benefit Pension Plan and Postretirement Medical Insurance Benefits

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

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 statement 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:

	2015	2014
Liability for pension benefits:		
PBO at end of year	$ 246,470	$ 220,194
Less: Fair value of plan assets at end of year (*Note 6*)	155,778	152,948
	90,692	67,246
Liability for other postretirement benefits (APBO at year end)	45,676	40,434
	$ 136,368	$ 107,680

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2015	2014	2015	2014
Beginning of year	$ 220,194	$ 196,505	$ 40,434	$ 36,475
Service cost	7,489	6,687	2,283	2,054
Interest cost	9,750	9,586	1,726	1,724
Plan amendments	-	-	(82)	(178)
Actuarial loss	16,600	14,610	2,189	1,306
Benefit payments	(7,563)	(7,194)	(874)	(947)
End of year	$ 246,470	$ 220,194	$ 45,676	$ 40,434

(All amounts in thousands)

The accumulated benefit obligation associated with pension benefits was $212,744 and $190,236 at June 30, 2015 and 2014, respectively. The actuarial loss related to pension benefits reflects a change in the mortality assumptions for the year ended June 30, 2015.

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

	2015	2014
Fair value of plan assets at beginning of year	$ 152,948	$ 132,045
Actual return on plan assets	3,441	18,755
Employer contributions	6,952	9,342
Benefit payments	(7,563)	(7,194)
Fair value of plan assets at end of year	$ 155,778	$ 152,948

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

	Pension benefits		*Other postretirement benefits*	
	2015	2014	2015	2014
Service cost	$ 7,489	$ 6,687	$ 2,283	$ 2,054
Interest cost	9,750	9,586	1,726	1,724
Expected return on plan assets	(10,346)	(10,031)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	3,661	3,190	1,175	1,183
Amortization of prior service cost/(credit)	432	433	(7,675)	(7,659)
	4,093	3,623	(6,500)	(6,476)
	$ 10,986	$ 9,865	$ (2,491)	$ (2,698)

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

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

	Pension benefits		*Other postretirement benefits*	
	2015	2014	2015	2014
Net actuarial loss	$ (23,505)	$ (5,886)	$ (2,189)	$ (1,306)
Plan amendments	-	-	82	178
Adjustment for components of net periodic benefit cost recognized previously	4,093	3,623	(6,500)	(6,476)
	$ (19,412)	$ (2,263)	$ (8,607)	$ (7,604)

(All amounts in thousands)

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

	Pension benefits		Other postretirement benefits	
	2015	**2014**	**2015**	**2014**
Net loss	$ 76,953	$ 57,109	$ 17,519	$ 16,505
Prior service cost/(credit)	2,261	2,693	(12,194)	(19,787)
	$ 79,214	$ 59,802	$ 5,325	$ (3,282)

The University expects to amortize the following as components of net periodic benefit cost during the year ending June 30, 2016:

	Pension benefits	Other postretirement benefits
Net loss	$ 4,498	$ 1,356
Prior service cost/(credit)	432	(7,675)

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	
	2015	**2014**	**2015**	**2014**
Discount rate	4.50%	4.50%	4.50%	4.50%
Rate of compensation increase	4.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2023)			7.50%	7.25%

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	
	2015	**2014**	**2015**	**2014**
Discount rate	4.50%	5.00%	4.50%	5.00%
Expected long-term rate of return on plan assets	7.00%	7.75%		
Rate of compensation increase	4.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2021)			7.25%	7.50%

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

A one-percentage-point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO associated with postretirement medical benefits by approximately $161 and $962, respectively. A one-percentage-point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately $144 and $879, respectively.

(All amounts in thousands)

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2015 are as follows:

	Pension benefits	Other postretirement benefits
2016	$ 8,244	$ 1,436
2017	8,778	1,684
2018	9,394	1,964
2019	10,113	2,241
2020	10,851	2,523

Projected aggregate payments for pension benefits and other postretirement benefits for the five year period ending June 30, 2025 are $67,245 and $16,698, respectively. The University's estimated contributions to the defined benefit pension plan for the year subsequent to June 30, 2015 are $11,000.

Defined Benefit Pension Plan Assets

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

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

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

	2015	2014	Target
Short-term investments	3.3%	3.1%	0.0%
Public equities	49.1%	47.4%	45.0%
Fixed income securities	17.1%	17.7%	15.0%
Hedge funds	18.2%	18.0%	20.0%
Private equity	8.3%	7.4%	10.0%
Real assets	4.0%	6.4%	10.0%
	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 securities – 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.

(All amounts in thousands)

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

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

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

Fair value measurements of plan investments at June 30, 2015 and 2014, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2015				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 5,162	$ -	$ -	$ -	$ 5,162
Public equities:					
U.S.	23,247	-	-	20,203	43,450
Non-U.S.	11,872	-	-	21,204	33,076
Fixed income securities	26,663	-	-	-	26,663
Hedge funds	-	-	-	28,392	28,392
Private equity	-	-	-	12,874	12,874
Real assets	2,395	-	-	3,766	6,161
	$ 69,339	$ -	$ -	$ 86,439	$ 155,778

	2014				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 4,717	$ -	$ -	$ -	$ 4,717
Public equities:					
U.S.	20,704	-	-	18,708	39,412
Non-U.S.	12,209	-	-	20,803	33,012
Fixed income securities	27,081	-	-	-	27,081
Hedge funds	-	-	-	27,591	27,591
Private equity	-	-	-	11,260	11,260
Real assets	3,793	-	-	6,082	9,875
	$ 68,504	$ -	$ -	$ 84,444	$ 152,948

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 $8,112 and $6,545 were uncalled at June 30, 2015 and 2014, respectively.

(All amounts in thousands)

NOTE 14.
NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2015	2014
Endowment funds (*Note 15*)	$ 3,341,272	$ 3,142,115
Other unrestricted net assets	1,289,400	1,223,630
	$ 4,630,672	$ 4,365,745

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

	2015	2014
Expendable funds restricted for:		
Operating purposes	$ 172,590	$ 168,457
Investment in land, buildings and equipment	339,704	186,339
Split-interest agreements (*Note 16*)	61,305	62,693
Endowment funds (*Note 15*):		
Accumulated appreciation on donor-restricted endowment	3,136,278	2,964,550
Funds functioning as endowment	459,157	439,969
	3,595,435	3,404,519
	$ 4,169,034	$ 3,822,008

As described in *Note 4,* temporarily restricted net assets include contributions receivable of $227,273 and $168,229 at June 30, 2015 and 2014, respectively.

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

	2015	2014
For operations:		
Scholarships and fellowships awarded	$ 82,430	$ 78,067
Expenditures for operating purposes	141,589	132,683
	224,019	210,750
For buildings and equipment	10,257	42,475
	$ 234,276	$ 253,225

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

	2015	2014
Endowment funds (*Note 15*)	$ 1,847,674	$ 1,642,462
Student loan funds	2,530	2,460
Split-interest agreements (*Note 16*)	19,318	22,911
Beneficial interests in perpetual trusts (*Note 3*)	5,581	5,720
	$ 1,875,103	$ 1,673,553

As reflected in *Notes 4* and *15,* permanently restricted endowment funds include $206,195 and $138,946 in contributions receivable at June 30, 2015 and 2014, respectively.

Notes to Consolidated Financial Statements

(All amounts in thousands)

NOTE 15.

ENDOWMENT

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

Endowment and funds functioning as endowment at June 30, 2015 are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 480,820	$ 1,316,360	$ 666,659	$ 2,463,839
Faculty chairs	133,473	1,016,075	318,918	1,468,466
Academic programs	270,494	481,736	235,520	987,750
General operations	1,320,773	69,819	8,879	1,399,471
Other	1,135,712	700,211	411,503	2,247,426
	3,341,272	3,584,201	1,641,479	8,566,952
Contributions receivable (*Note 4*)	-	11,234	206,195	217,429
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ (582)	$ 3,584,201	$ 1,641,479	$ 5,225,098
University-designated funds	3,341,854	-	-	3,341,854
	3,341,272	3,584,201	1,641,479	8,566,952
Contributions receivable (*Note 4*)	-	11,234	206,195	217,429
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

Endowment and funds functioning as endowment at June 30, 2014 are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 462,235	$ 1,238,361	$ 614,385	$ 2,314,981
Faculty chairs	126,277	951,170	290,918	1,368,365
Academic programs	242,346	456,736	227,514	926,596
General operations	1,251,518	66,943	8,868	1,327,329
Other	1,059,739	680,915	361,831	2,102,485
	3,142,115	3,394,125	1,503,516	8,039,756
Contributions receivable (*Note 4*)	-	10,394	138,946	149,340
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ (424)	$ 3,394,125	$ 1,503,516	$ 4,897,217
University-designated funds	3,142,539	-	-	3,142,539
	3,142,115	3,394,125	1,503,516	8,039,756
Contributions receivable (*Note 4*)	-	10,394	138,946	149,340
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

(All amounts in thousands)

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. Unrealized depreciation of this nature amounted to $582 and $424 at June 30, 2015 and 2014, respectively, as reflected in the preceding tables.

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

Changes in endowment and funds functioning as endowment for the years ended June 30, 2015 and 2014, respectively, are summarized as follows:

2015	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096
Contributions	7,271	2,380	204,309	213,960
Investment return:				
Investment income	30,463	44,933	2,076	77,472
Net gain/(loss) on investments	230,958	351,006	(38)	581,926
Accumulated investment return distributed (*Note 6*)	(87,120)	(197,534)	-	(284,654)
Other changes, net[1]	17,585	(9,869)	(1,135)	6,581
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

2014	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ 2,692,444	$ 2,775,366	$ 1,491,241	$ 6,959,051
Contributions	18,494	3,000	149,833	171,327
Investment return:				
Investment income	39,177	57,841	2,609	99,627
Net gain on investments	476,678	740,521	183	1,217,382
Accumulated investment return distributed (*Note 6*)	(82,923)	(187,825)	-	(270,748)
Other changes, net[1]	(1,755)	15,616	(1,404)	12,457
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

[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.

(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:

	Unrestricted	Temporarily restricted	**2015** Total	**2014** Total
Operating purposes:				
Scholarships and fellowships	$ 19,769	$ 80,420	$ 100,189	$ 95,629
Faculty chairs	5,493	51,233	56,726	54,630
Academic programs	1,127	29,489	30,616	29,180
Libraries	380	8,189	8,569	8,382
Other endowed programs	9,431	24,890	34,321	30,762
General operations	34,496	3,287	37,783	36,664
	70,696	197,508	268,204	255,247
Capital projects	16,424	26	16,450	15,501
	$ 87,120	$ 197,534	$ 284,654	$ 270,748

NOTE 16.

SPLIT-INTEREST AGREEMENTS

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

	Unrestricted	Temporarily restricted (Note 14)	Permanently restricted (Note 14)	**2015** Total	**2014** Total
Charitable trust assets, held in:					
NDEP (*Note 6*)	$ -	$ 135,416	$ 75,515	$ 210,931	$ 190,735
Other investments (*Note 6*)	-	7,466	3,055	10,521	14,290
	-	142,882	78,570	221,452	205,025
Less obligations[1] associated with:					
Charitable trusts	-	79,412	55,107	134,519	115,168
Charitable gift annuities	3,284	2,165	4,145	9,594	6,811
	3,284	81,577	59,252	144,113	121,979
	$ (3,284)	$ 61,305	$ 19,318	$ 77,339	$ 83,046

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

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust, and based on the nature of the agreements, are designated as funds functioning as endowment. The aggregate fair value of these assets was $27,923 and $24,208 at June 30, 2015 and 2014, respectively.

(All amounts in thousands)

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

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Contributions:					
Assets received	$ 104	$ 7,812	$ 7,761	$ 15,677	$ 17,638
Discounts recognized[1]	(70)	(4,888)	(5,520)	(10,478)	(12,007)
	34	2,924	2,241	5,199	5,631
Change in value of agreements:					
Investment return, net	-	11,038	5,795	16,833	32,785
Payments to beneficiaries	(386)	(9,228)	(4,614)	(14,228)	(11,031)
Actuarial adjustments and other changes in obligations	(655)	(5,121)	(5,880)	(11,656)	(2,193)
	(1,041)	(3,311)	(4,699)	(9,051)	19,561
Transfers and other changes, net	281	(1,001)	(1,135)	(1,855)	(7,519)
	$ (726)	$ (1,388)	$ (3,593)	$ (5,707)	$ 17,673

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

NOTE 17.

GRANTS AND CONTRACTS

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

	Direct	Indirect	2015 Total	2014 Total
Provided for:				
Research	$ 82,292	$ 21,627	$ 103,919	$ 98,351
Other sponsored programs	13,160	184	13,344	11,458
	$ 95,452	$ 21,811	$ 117,263	$ 109,809

	Direct	Indirect	2015 Total	2014 Total
Provided by:				
Federal agencies	$ 71,934	$ 19,351	$ 91,285	$ 85,499
State and local agencies	853	86	939	357
Private organizations	22,665	2,374	25,039	23,953
	$ 95,452	$ 21,811	$ 117,263	$ 109,809

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 $12,880 for the year ended June 30, 2015, including $5,791 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2014 were $12,971, including $5,867 in ROTC scholarships.

(All amounts in thousands)

NOTE 18.
CONTINGENCIES AND COMMITMENTS

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

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

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

2016	$ 1,767
2017	1,767
2018	1,767
2019	1,767
2020	1,797
2021 through 2080	47,202
	$ 56,067

At June 30, 2015, the University also has contractual commitments of approximately $199,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $550,000.

University Administration

As of June 30, 2015

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As of June 30, 2015

University Trustees Emeriti

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