

UNIVERSITY OF NOTRE DAME
ANNUAL REPORT / 2005







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A Letter from the President

Notre Dame is an ambitious place. It always has been.

Many of us still marvel at the audacity of Notre Dame's founder, Rev. Edward F. Sorin, C.S.C. The Holy Cross priest was 28 when he came to America from France as a missionary and arrived at a small cabin used as a mission station to serve the territory's Native Americans. The landscape was snow-covered; there appeared to be a lake near the cabin. Sorin and his confreres had \$300 in cash and a wagonload of meager possessions.

But Father Sorin immediately established a school there and boldly proclaimed it "L'Université de Notre Dame du Lac."

What the founder envisioned was a proper Catholic university to replicate those great European institutions that had vitalized the lifeblood of the Old World, creating a place of intellectual formation and spiritual transformation in the New World. What he actually launched was a little school whose students came from pioneer families, who came in all ages, who came offering goods, services, and livestock in return for their education.

It took decades for Notre Dame to root itself securely in American soil, and it survived fires, disease, and privation doing so. It was largely Father Sorin—with his obstinacy, faith, and entrepreneurial spirit—who resolutely pushed his institution toward the dream he had for it.

But Father Sorin wasn't the only dreamer. In the nineteenth century, Albert Zahm devised experiments in flight that drew national attention before the Wright brothers. Albert's brother John was a Holy Cross priest and scientist whose attempts to reconcile doctrines of faith and theories of evolution elicited Vatican scrutiny. The Zahms and their contemporaries saw Notre Dame advancing a Catholic intellectual life where faith and reason were equal partners in a spirited enterprise of inquiry, examination, and training. Early in the twentieth century Rev. John F. O'Hara, C.S.C., who had traveled throughout Latin America, developed programs in international business and recruited Latin American students to Notre Dame. And the University, still tiny and little known, benefitted greatly from a football coach named Knute Rockne, whose genius thrust Notre Dame onto the national stage where his teams did not just compete but excelled.

Notre Dame is steeped in tradition, and certainly one of the prominent themes in its history is this quixotic desire to be something more, to pursue loftier aims with little regard for the weight and warnings against realizing those dreams. While scribes and intellectuals had proclaimed Catholic and university to be a contradiction in terms, Rev. Theodore M. Hesburgh, C.S.C., was, in fact, transforming Notre Dame into a great Catholic university. He was leading Notre Dame into the front rank of America's institutions of higher learning and showing how scholarship could be enlivened by—even benefit from—the moral, spiritual, and religious dimensions of human investigations. And he and the University were demonstrating how an academic enterprise located in South Bend, Indiana, could have a global impact, applying integrity, scholarship, and ingenuity to the most acute challenges of the day.

Notre Dame and its people have always heard, and responded to, a higher calling. Today is no different. Notre Dame stands at the threshold of unprecedented potential. There is new leadership and expertise in key administrative posts. The University's resources and facilities are healthy, even robust. The student body is extraordinary and the faculty quite impressive by anyone's standards. Of course, much of the credit for this strength and vitality is due to my predecessor Rev. Edward A. "Monk" Malloy, C.S.C., who as President for 18 years guided this institution during a period of stunning growth and development.

It is at once daunting and invigorating to be assuming the presidency at this moment. But it is truly an exciting time, bolstered by all that has been achieved here and inspired by the promises yet to be fulfilled.

What we have at Notre Dame is one of the nation's pre-eminent undergraduate programs. Our graduate schools, which in decades past had pockets of surprising strength and some faculty of international renown, are today emerging with consistent quality in the academy and gaining much deserved respect, even world-class prestige in many areas. This is as true in the sciences and engineering as in Notre Dame's longtime strength in the humanities. Notre Dame's research efforts attract scholars from around the world, place the University at the very frontiers of discovery, and seek solutions to some of today's most pressing problems. Notre Dame graduates—whether in government, business, or the legal profession—are both leaders and good servants in a multitude of countries.



Left to right: Rev. Theodore M. Hesburgh, C.S.C.,
Rev. Edward A. Malloy, C.S.C., Rev. John I. Jenkins, C.S.C.

A Tradition of Strong Leadership

As the seventeenth President of the University of Notre Dame, Father Jenkins follows a distinguished list of scholars and priests who, over the past 163 years, have led Notre Dame to where it is today—a distinctively Catholic institution that is ranked among the pre-eminent universities in the world. His immediate predecessors, Father Hesburgh and Father Malloy, combined served for more than half a century through a period of unprecedented growth for the University.

During Father Hesburgh's 35-year tenure, the University's undergraduate curriculum expanded its offerings, its graduate and research programs grew in reputation and stature, and the University became a truly international institution—all the while retaining its Catholic character. Under Father Malloy, Notre Dame continued its rapid growth in reputation, faculty, and resources. Today, the University has an endowment of nearly \$3.7 billion, several of its departments are considered among the best in the nation, and Notre Dame is ranked among the top 20 universities in the nation, according to *U.S. News & World Report*.



And that, essentially, was what Father Sorin had in mind when he started the place and promised his new university would someday be “a powerful means for good in this country.” At Notre Dame it is not sufficient to become a center of intellectual activity, however influential or illustrious. It is not enough that it apply its full resources to the creation of knowledge, proofs, or scientific breakthroughs if there is not a commensurate measure of virtue, judgment, and wisdom. For Notre Dame is not just a university in the fullest sense; it is a Catholic university that sees its contributions to the world—by definition and necessity—as driven by a sense of right and wrong, the common good, the values and principles of justice, service, and revelation as befit a Catholic institution helping to deliver the Kingdom of God to this realm.

The state of our twenty-first century world demands such a place—an institution of truly higher education where the fullest intellectual attainments are matched by a steadfast commitment to the ideals and beliefs of our faith traditions. One without the other will not do.

The future can indeed seem treacherous, and the place Notre Dame has marked for itself and its future has no precedent. We head into uncharted territory, once again vowing to be a force for good in an unknown world. But like the Sorins, Zahms, and O’Haras who came before us, we embrace the task ahead with vision, fortitude, and faith, with sufficient resources, with ample talents, training, and skill. There is a tradition here of people who faced what others described as insurmountable odds, and of forebears who dreamed of what could be. To stand again at such a threshold is a thrilling place to be. I am fortunate to be here and to be surrounded by so many good and committed people, and to be part of an institution with such a hallowed past and such a brilliant future.

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

NOTRE DAME AT A GLANCE [2005]

STUDENTS

Undergraduate	8,332
Graduate & Professional	3,147
Total fall enrollment	11,479

UNDERGRADUATE ADMISSIONS

Applications	11,490
Offers of admission	3,488
Enrolled	1,985
Selectivity ratio	30.4%
Matriculation ratio	56.9%

DEGREES CONFERRED

Baccalaureate	2,167
Master’s	862
First professional	206
Doctoral	133
Total degrees conferred	3,368

UNDERGRADUATE TUITION RATE \$29,070

Percent increase over prior year	7.0
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University Officers and Deans: Stewards of the Mission

Announced as the successor to Rev. Edward A. Malloy, C.S.C., in April 2004, Father Jenkins lost no time in getting to know his leadership team: the officers and deans of the University. As a group, they are dedicated to advancing the most fundamental tenets of the University's mission. Individually, they oversee every aspect of running an institution that seeks to be a place of teaching and research, of scholarship and publication, of service and community.



From left to right: Rev. John I. Jenkins, C.S.C., President; Thomas G. Burish, Provost; John F. Affleck-Graves, Executive Vice President; Patricia A. O'Hara, Joseph A. Matson Dean of the Law School; James J. Lyphout, Vice President for Business Operations; Mark W. Roche, Dean of the College of Arts and Letters; Scott C. Malpass, Vice President and Chief Investment Officer; Carolyn Y. Woo, Martin J. Gillen Dean of the Mendoza College of Business; John A. Sejdinaj, Vice President for Finance; Carol Colby Kaesebier, Vice President and General Counsel



New Provost Committed to Tradition

Dr. Thomas G. Burish, Notre Dame's new provost, wasn't looking for a new job. He had been president of Washington and Lee University, one of the nation's top liberal arts colleges, since July 2002. He believed he would finish his career there. But when Notre Dame's new president, Father John Jenkins, approached Burish at this year's commencement—his son was awarded an MBA degree, and he recalled vividly his own days here as a student—the call to return home was hard to resist.

"Father John's articulation of Notre Dame's plan to pursue excellence at the highest levels, in both research and teaching, while staying true to Notre Dame's Catholic character was exhilarating and compelling," Burish says. "That vision was supported by the search committee, the trustees, everyone with whom I spoke. Deep down I wanted to be part of it, to contribute all of my energies to this."

Creating a setting in which faculty can excel is critical to that mission, in Burish's view. "The best teachers are deeply active in their fields," he says, "and they bring that scholarship into the classroom. It inspires students. It inspired me when I was an undergrad, and I've never forgotten it."

A 1972 Notre Dame graduate, Burish served as provost of Vanderbilt University from 1993 to 2002 before taking the top job at Washington and Lee. In academe he became known as a ground-breaking researcher in psychology, an award-winning teacher, and a gifted leader. While at the University of Kansas, where he earned a doctorate in clinical psychology, Burish received the David Shulman Memorial Award of Excellence in Clinical Psychology. And he won Vanderbilt's prestigious Madison Sarratt Prize for Excellence in Undergraduate Teaching. A member of the American Cancer Society's national board of directors since 1991, he has been the board's director since 2004.



From left to right: Jeffrey C. Kantor, Vice President for Graduate Studies and Research; Christine M. Maziar, Vice President and Associate Provost; Hugh Page Jr., Dean of the First Year of Studies; Rev. Mark L. Poorman, C.S.C., Vice President for Student Affairs; Jean Ann Linney, Vice President and Associate Provost; Dennis C. Jacobs, Vice President and Associate Provost; Joseph P. Marino, Dean of the College of Science; Michael N. Lykoudis, Dean of the School of Architecture; Frank P. Incropera, Dean of the College of Engineering; Hilary M. Crnkovich, Vice President for Public Affairs and Communication; Louis M. Nanni, Vice President for University Relations

Academic Excellence in the Catholic Tradition

The past academic year saw the early moments of the leadership of Rev. John I. Jenkins, C.S.C., Notre Dame's seventeenth president, and the final activities of our longtime leader and my friend, Rev. Edward A. "Monk" Malloy, C.S.C. This year, my tenth as Provost and nearly my thirtieth on the faculty, turned out to be my last at Notre Dame, a place that is truly in my heart.

The challenge and excitement of these transitions influenced my final year at Notre Dame. But even before I knew how much change lay ahead, the historian in me took note of a shift. My attention to the quotidian responsibilities of office became richly colored and deepened by a view of Notre Dame's larger importance in higher education, in society, and in the Church.

Notre Dame has faced stiff challenges in order to prosper as genuinely Catholic, yet accountable to the highest standards of scholarship. The University has done so during a recent era where in the realms of high culture—in the best universities, in the arts, in literary circles—secular values are the coin of

the realm. Yet I see the University as emerging as a cornerstone of renewal.

The starting point of this may date back 40 years, and encompasses the leadership the University has provided in establishing a vision of the modern Catholic university. It began at the point when American Catholic universities declared their independence from church control in a statement that then-Notre Dame President Rev. Theodore M. Hesburgh, C.S.C., helped craft.

The vision became action here in 1967 as a lay board took ownership, setting a course that included academic freedom for faculty members. Father Hesburgh's dream of independence sprang from his conviction that Catholic universities in America, as private institutions, could prosper only if they mobilized lay Catholics. His vision was to unleash the energy, resources, and expertise of American Catholics on behalf of a distinctly Catholic higher education—an outcome he thought unlikely under tight ecclesiastical control.

The experiment's success has many measures. Among them, and this is a credit to Father Malloy's leadership, is the generosity of American Catholics that has propelled Notre Dame to a competitive academic level, bolstering endowments, facilities, faculty support, and financial aid. Catholics and non-Catholics alike are attracted to such a community, where religion is taken seriously and is studied and practiced intelligently, and where models of collaboration between clerical and lay leadership are manifested.

Because it has persisted in linking intellectual and moral purpose, Notre Dame is poised to serve as a vital influence within the broader American society. Father Jenkins takes the helm in time to forge a consciousness of Notre Dame as a middle ground where vital religious traditions can engage modern thought in a climate of academic freedom.

Nathan O. Hatch
Provost 1995–2005

Financial Review

In the Gospels, stewardship is presented not only as a responsibility to safeguard those assets entrusted to us, but also as a challenge to use resources wisely and to build them in significant and meaningful ways. As stewards of the resources with which Notre Dame has been blessed over many generations, we are called to respond to this same challenge in a way that enables us to invest in strategic priorities today even as we preserve a robust foundation for the University's future leaders.



Our fiscal 2005 results demonstrate the benefits of our long commitment to stewardship at the University. We have continued to weather a challenging operating environment successfully with the ongoing generosity of our benefactors, tremendous gains in the Notre Dame Endowment, and very limited growth in expenditures from every area of campus. We remain grateful for this support, and we are confident that our future efforts will allow us to maintain the fiscal strength that has been Notre Dame's hallmark since the leadership of Father Joyce.

At this exciting time of transition for the University, the responsibilities and challenges of our stewardship remain focused on the four "pillars" on which Notre Dame stands:

- Catholic mission
- Undergraduate education
- Research
- Residential life

The highlights from the past year illustrate yet again how the operations of the University contribute to Notre Dame's overall aspirations. In each area described on the following pages, we have much to celebrate, whether it is a new facility for learning on campus or increased funding for students with financial need. New challenges await us as well, and we will strive to lessen our dependence on tuition revenues, increase our research funding, and manage the ever increasing costs of financial aid and healthcare benefits for our faculty and staff.

Fiscal 2005 Results

The University's financial position remained strong during fiscal 2005. Total investments grew \$602 million to \$4.3 billion at June 30, 2005, as a result of a 19 percent return on the unitized investment pool. Total assets grew to \$5.26 billion compared to \$4.61 billion reported at June 30, 2004. Total net assets of \$4.63 billion reflect an increase of \$587.6 million from June 30, 2004, or 14.5 percent.

During fiscal 2005, unrestricted net assets increased \$300.5 million due primarily to net gains on investments of \$298.0 million. Operating revenues increased slightly while operating expenses increased 5.3 percent, or \$31.1 million over fiscal 2004.

Temporarily restricted net assets increased by \$250.4 million due to net gains on investments of \$272.8 million and contributions of \$54.5 million offset by the release of restrictions on temporarily restricted net assets of (\$122.1) million. Permanently restricted net assets increased \$36.7 million as a result of contributions received for endowment. Capital spending in fiscal 2005 totaled \$74.6 million compared to \$54.1 million in fiscal 2004.

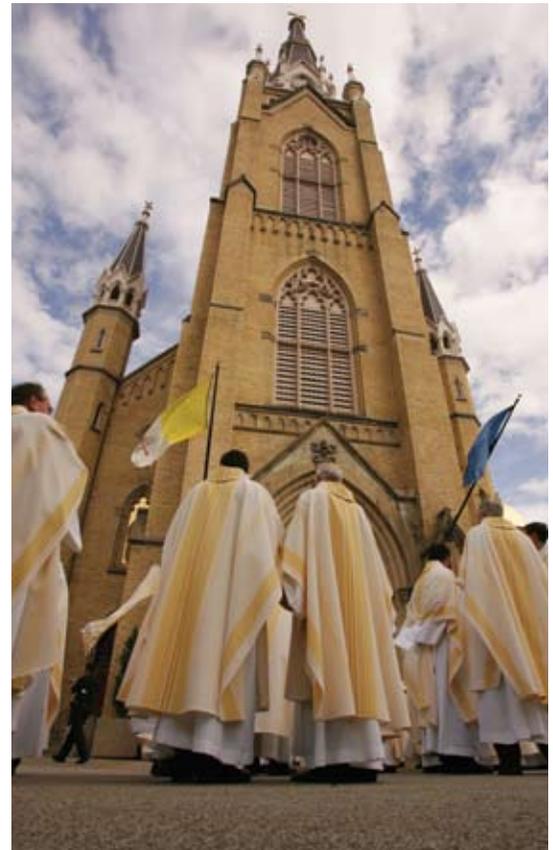
The University continued to maintain the highest available long-term debt rating, a key indicator of an institution's financial strength and stability.

Catholic Mission

Our Catholic faith is rooted in the notion that we are all called by Christ to a deeper understanding of God's presence in our life and in our world. As a Catholic university, Notre Dame seeks to contribute to scholarship and research while forming leaders who will use their knowledge for the greater good of humanity. These leaders will come from a variety of backgrounds and the University therefore remains committed to meeting the full need of those students requiring financial aid. In fiscal 2005, the University contributed more than \$59.6 million to undergraduate financial aid—an increase of 11 percent from the previous year. These funds are part of the nearly \$237 million in financial aid packages (including government and private aid) administered by the University.

In keeping with the sense of justice and dignity for all workers, the University is also committed to providing its employees with a fair and equitable salary and benefit package. While this principle remains constant, we are facing the challenge of rapidly rising benefit expenses experienced by many private and public institutions. The cost of providing medical benefits for all faculty, staff, and qualifying retirees increased from \$18.4 million in fiscal 2004 to \$28.0 million in fiscal 2005. The pervasive challenge lies in maintaining first-rate benefits for faculty and staff while at the same time being creative and proactive in developing the most cost-effective benefit packages.

Our Catholic tradition also calls for us to have a strong and respectful relationship with our local community. Notre Dame's relationship with the City of South Bend and the surrounding community is an enduring legacy of our outgoing President, Father Malloy. In fiscal 2005, our partnership with the local community continued with the planning and initiation of a broad redesign and reconfiguration of the roads surrounding the campus. While the project was initiated by the University, the final plan reflects thoughtful input from local residents and government officials. This \$23.8 million project includes construction of entire roadways around the perimeter of campus and will allow us to close the section of Juniper Road that runs through our campus. These improvements will make the pedestrian nature of our campus safer, especially with the opening of the Jordan Hall of Science and other facilities on the east side of the campus. The project will also facilitate the continued re-development of the areas to the south of the University—an objective that has long been sought by both Notre Dame and the surrounding community.



Undergraduate Education

The University continues to focus on enhancing the core undergraduate learning experience of our students. Providing outstanding learning facilities, a dedicated faculty, and unique educational experiences remains the cornerstone of our operating budget. While we are making excellent progress in many of these areas, we must improve in others. For example, we want to provide additional research opportunities for more of our undergraduate students. The opportunity to work one-on-one with a leading faculty mentor at a formative time can provide a life-changing experience for a young student. Enhancing their educational experience in this way is both a strategic and fiscal priority for us, and we will be seeking ways to devote higher allocations to this important initiative.

We will soon open exciting new learning facilities for our students—most notably, the Jordan Hall of Science and Learning in fall 2006. This 201,000-square-foot facility will include 37 undergraduate laboratories for biology, chemistry, and physics; two 250-seat lecture halls; a 150-seat multimedia lecture hall; two classrooms; 22 faculty offices; offices for preprofessional (pre-med) studies; and a greenhouse, herbarium, and observatory. Jordan Hall will provide first-rate facilities for undergraduate learning and create unique opportunities for future generations of our students.

With programs in England, France, Ireland, Australia, Rome, Israel, Japan, Chile, and several other countries, we continue to invest in and enhance our highly regarded and sought-after International Studies programs. One of the more notable events in fiscal 2005 was the dedication of the O'Connell House in Dublin, Ireland, in October 2004. The O'Connell house, refurbished at a cost of approximately \$2.6 million, will provide offices for Notre Dame's Keough Centre faculty and fellows, as well as a home base and meeting site for students enrolled in the Irish studies program.

Research

The University continues to expand its research base, and we already have successful centers in areas as diverse as American religion, Irish studies, orphan drugs, and energy. Our emphasis on research must continue to grow, however, from both a strategic and financial perspective. Research and the search for new knowledge are at the heart of any university, and Father Jenkins has challenged us to find distinctive ways for Notre Dame to innovate and generate new insights that reflect the combination of disciplinary expertise with our moral and religious traditions. Devoting attention to increasing research funding from external grants and contracts is also a critical way that we will be able to diversify the University's revenue sources and eventually control tuition growth. We are making significant progress in this area, particularly in funds awarded by the federal government. As the chart indicates, over the past five years our federal funding has grown from \$30.2 million to \$51.6 million, an average annual growth rate of 14 percent. This is a trend that must continue in the coming years.

To facilitate this growth, we continue to invest in our research infrastructure. For example, in July 2006 we will complete the Engineering North building—an \$8.3 million facility funded entirely by a grant from the Federal Department of Energy. This facility will provide valuable space for Notre Dame's emerging and innovative nanotechnology and biomedical engineering research.

Residential Life

The Catholic character at Notre Dame is perhaps most tied to residential life on our campus. Realizing the importance of dormitory life and the overarching role it plays in students' experiences at Notre Dame, we commit significant resources each year to maintenance and renewal programs for these facilities. In fiscal 2005, approximately \$3.7 million was expended on maintenance and renewals, with major work performed on Alumni and Dillon Halls.

Residential life also includes many other facets that impact the daily lives of our students, including the dining halls, the Huddle (our campus grocery store), and on-campus recreational and athletic activities. Our campus athletic facilities will benefit from the newly completed Guglielmino Athletics Complex, a \$21 million, 95,840-square-foot facility providing Notre Dame's 800 student-athletes with enhanced space for training and sports medicine, strength and conditioning programs, and equipment. It will also house the varsity football locker rooms, offices, and meeting rooms.

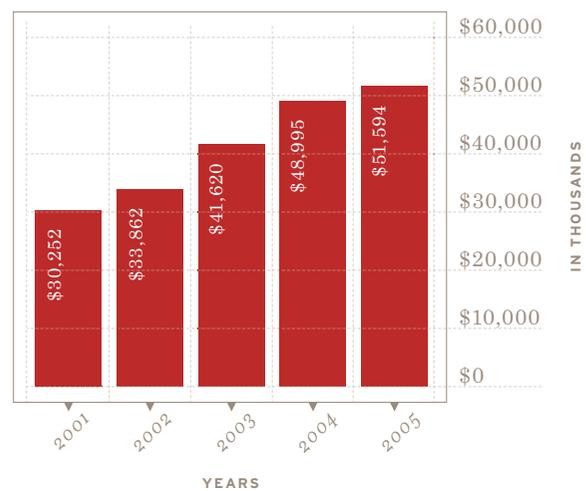
Having nearly completed its first full year of programming, the Marie P. DeBartolo Center for the Performing Arts has significantly enhanced the cultural life and learning experiences not only for students, but for the local community as well. The \$64.0 million, 150,000-square-foot facility opened to the public in September 2004 with a performance by Wynton Marsalis. It has already hosted the New York Philharmonic, the Chieftains, Ladysmith Black Mambazo, and Ronan Tynan, plus theater productions as varied as *The Sleeping Beauty* and *Arcadia*.

These highlights from fiscal 2005 reflect the challenges and accomplishments of effective stewardship. They are important not only because of what they represent in and of themselves, but because of their significance to the current and future goals of the University. They reflect our beliefs in the fundamental and timeless importance of our Catholic mission, of academic excellence, of residential life and service, and we look forward to enhancing the support for each of these pillars in the years to come.

John F. Affleck-Graves
Executive Vice President



FEDERAL RESEARCH FUNDS



SUMMARY OF FINANCIAL RESULTS

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2005	2004
Assets	\$ 5,255,440	\$ 4,611,574
Net assets	\$ 4,634,334	\$ 4,046,685
Increase in net assets	\$ 587,649	\$ 609,763
Operating revenues and other additions	\$ 603,100	\$ 578,707
Operating expenses	\$ 615,838	\$ 584,763
Decrease in unrestricted net assets from operations	\$ (12,738)	\$ (6,056)
Market value of endowment and funds functioning as endowment	\$ 3,690,694	\$ 3,123,454
Bonds and notes payable	\$ 281,875	\$ 283,555
Tuition and fees, net of scholarships and fellowships	\$ 206,021	\$ 195,071
Contributions	\$ 117,958	\$ 149,559
Total investment return	\$ 673,373	\$ 601,918
Sales and services of auxiliary enterprises	\$ 137,354	\$ 130,404
Capital expenditures	\$ 74,565	\$ 54,111

STATISTICAL HIGHLIGHTS

	ACADEMIC YEARS ENDED JUNE 30				
	2005	2004	2003	2002	2001
STUDENTS					
Undergraduate	8,332	8,311	8,261	8,208	8,038
Graduate and professional	3,147	3,104	3,050	2,846	2,762
Total fall enrollment	11,479	11,415	11,311	11,054	10,800
UNDERGRADUATE ADMISSIONS					
Applications	11,490	12,095	9,744	9,378	10,051
Offers of admission	3,488	3,524	3,336	3,338	3,442
Enrolled	1,985	1,996	1,946	2,036	1,958
Selectivity ratio	30.4%	29.1%	34.2%	35.6%	34.2%
Matriculation ratio	56.9%	56.6%	58.3%	61.0%	56.9%
DEGREES CONFERRED					
Baccalaureate	2,167	2,052	2,111	1,985	1,954
Master's	862	940	841	725	701
First professional	206	176	188	180	203
Doctoral	133	149	135	116	132
Total degrees conferred	3,368	3,317	3,275	3,006	2,990
UNDERGRADUATE TUITION RATE					
Percent increase over prior year	7.0%	6.5%	4.9%	4.9%	5.2%

2004–05 University Highlights



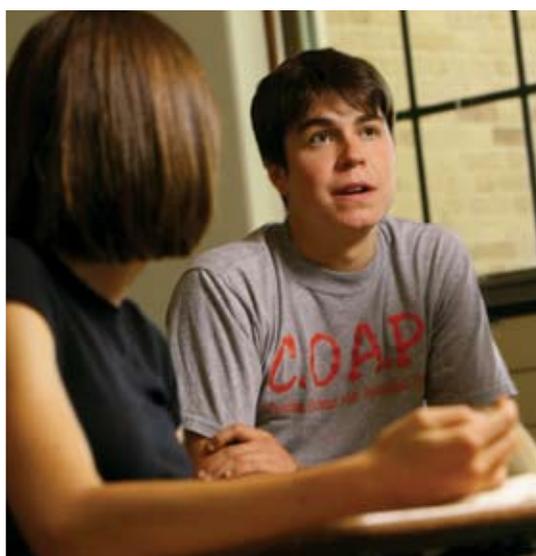
University News

- In the 18th and final year of his tenure as Notre Dame's President, Rev. Edward A. Malloy, C.S.C., was lauded in on-campus, local, and national ceremonies. Among the tributes were six honorary degrees, including a doctor of laws from Notre Dame.
- Notre Dame also bid farewell to its second-ranking officer, Provost Nathan Hatch, who was elected president of Wake Forest University. Dr. Hatch also received an honorary degree at Notre Dame's 160th Commencement exercises.
- Vartan Gregorian, president of the Carnegie Corporation, served as the principal speaker at Commencement, and Dr. Joseph E. Murray, a pioneer in organ transplantation, was the Laetare Medal recipient. Among the honorary degree recipients were Cardinal Francis Arinze, baseball legend Hank Aaron, and Sonia Manzano, the actress who plays Maria on *Sesame Street*.
- Notre Dame ushered in a new era in the performing arts September 17 with the formal opening of the \$64 million Marie P. DeBartolo Center for the Performing Arts. Among the inaugural year performers in the center's five venues were the New York Philharmonic, Ronan Tynan, Regis Philbin, Wynton Marsalis, and the Second City comedy troupe.

- The Higher Learning Commission of the North Central Association of Schools and Colleges granted a full 10-year accreditation to the University, remarking in its report that, "if any institution can take ownership of the dynamic relationship between 'great university' and 'Catholic university,' it is Notre Dame: The University's history and proven strengths give it that authority."
- Among the year's key administrative appointments were Hilary Crnkovich as vice president for Public Affairs and Communication, Robert McQuade as associate vice president for Human Resources, and theologian Hugh Page as dean of the First Year of Studies.
- The Association of International Educators cited Notre Dame as one of just 13 U.S. schools with international study programs that are making innovative, wide-ranging efforts to integrate global approaches to teaching into campus learning. The University supports 24 programs in 17 countries and is rated among the nation's top five in the percentage of students who study abroad.
- Scholarship aid awarded to undergraduate students at Notre Dame was 11 percent greater in the last academic year and has more than doubled over the last five years, according to a report prepared by the Office of Student Financial Services.
- The Mendoza College of Business rose five spots to 24th in *BusinessWeek* magazine's biennial survey of the top 30 business schools in the nation.
- New initiatives include the dedication of O'Connell House in Dublin as the base for programs in Ireland and the establishment of a Department of Africana Studies, a master of sacred music degree program in the Department of Theology, a research laboratory to support the College of Engineering's work in biomedical engineering, and the Ruth M. Hillebrand Center for Compassionate Care in the Walther Cancer Research Center.
- Work began in March on the regilding of the Golden Dome atop the Main Building, the 10th regilding in the famed landmark's 123-year history. The project also included regilding the Our Lady statue and repairs to the "drum" on which the Dome stands.
- Notre Dame and the South Bend Symphony entered into a partnership that will make the Leighton Concert Hall at the University the permanent home of the symphony's June H. Edwards Chamber Music Series. The University also committed to funding an annual artist to perform with the symphony and inaugurating a new residency series.

Faculty

- National, regional, and local news organizations descended upon Notre Dame faculty members to comment on the death of Pope John Paul II and the selection of Pope Benedict XVI. Among the experts on the Church and papacy who were called upon by the print and broadcast media were Scott Appleby, John Cavadini, Father John Coughlin, Lawrence Cunningham, Jay Dolan, Father Michael Driscoll, Father John Jenkins, Father Theodore Hesburgh, Cathleen Kaveny, Father Edward Malloy, Timothy Matovina, Father Richard McBrien, John McGreevey, Thomas Noble, Father Timothy Scully, Rabbi Michael Signer, David Sikkink, David Solomon, Father Robert Sullivan, and Father Richard Warner, director of Campus Ministry.
- Three faculty members in Arts and Letters—Susan Youens in music, Ian Kuijt in anthropology, and Alyssa Gillespie in German and Russian languages and literatures—received research fellowships from the National Endowment for the Humanities, bringing to 20 the number of NEH fellowships awarded to Notre Dame in the past six years, more than any other university in the nation.
- Three Notre Dame Law School faculty members were appointed to prominent national and international positions. William Kelley was appointed deputy general counsel



in the White House; Juan Méndez was named special adviser on the prevention of genocide by UN Secretary-General Kofi Annan; and Paolo Carozza was elected one of seven members of the Inter-American Commission on Human Rights.

- Astrophysicists Ani Aprahamian, Mitchell Wayne, and Terrence Rettig represented Notre Dame at the dedication in Arizona of the Large Binocular Telescope. The University is part of a consortium that funded the \$120 million instrument that, when fully operational, will be the most technologically advanced ground-based telescope in the world.
- Jeffrey C. Kantor, vice president for graduate studies and research, dean of the Graduate School, and professor of chemical engineering, was named a fellow of the American Association for the Advancement of Science.
- Physicists Ikaros Bigi and Malgorzata Dobrowolska-Furdyna were elected fellows of the American Physical Society. Jacek Furdyna, the Marquee Chair in Physics, was named a Fellow of the Institute of Physics.
- Joan Brennecke, the Keating-Crawford Professor of Chemical Engineering, was elected vice chair of the Council for Chemical Research and will become chair in 2007.
- George Lopez, senior Fellow in the Kroc Institute for International

Studies, testified before the Subcommittee on Oversight and Investigations of the House International Relations Committee on the scope and meaning of the interim report on the UN's scandal-plagued oil-for-food program in Iraq.

- Asma Afsaruddin, associate professor of classics, was awarded a Carnegie Scholars Fellowship.
- Patrick Dunn, professor of aerospace and mechanical engineering, was named a fellow of the American Society of Mechanical Engineers.
- The Woodrow Wilson National Fellowship Foundation awarded a fellowship to Theresa Delgadillo, assistant professor of English.
- David Smith, associate professor of psychology, was elected a fellow of the American Psychological Association.
- Ke-Hai Yuan, associate professor of psychology, received a James McKeen Cattell Fund Fellowship.

Research/Scholarship/ Creativity

- A team of astronomers led by Notre Dame's Peter Garnavich, using the Spitzer Space Telescope, detected for the first time heat generated from a gamma-ray burst.
- Physicist Albert-László Barabási published a study that offered new insights into the timing of hu-

man actions, such as e-mail usage, economic transactions, or entertainment activities.

- A study cowritten by marketing professor Patrick Murphy found that ethical issues in marketing—from potentially objectionable ads to misleading messages and outright fraud—are of little concern to many executives in the field.
- Marketing professors Michael Etzel and John Gaski reported in an ongoing study that American consumers have mild misgivings about advertising and other components of the marketing profession, but their sentiments are improving.
- During an archaeological dig in northwest Indiana, anthropologist Mark Schurr found that the grounds of a 19th-century hunting lodge located on the banks of the Kankakee River also were the site of ancient settlements dating as far back as 10,000 years.
- Another anthropologist, Ian Kuijt, co-edited a new book titled *Complex Hunter Gatherers: Evolution and Organization of Prehistoric Communities on the Plateau of Northwestern North America*.
- Political scientists Frances Hagopian and Scott Mainwaring edited a book that explores the wave of democratization that has swept through Latin America since 1978. A third faculty member, Michael Coppedge, also contributed to the book.
- Other new books written or edited by Notre Dame political scientists included *Protestantism and the American Founding*, by Michael P. Zuckert, Nancy R. Dreux Chair; *The Quality of Democracy*, edited by Guillermo O'Donnell, Helen Kellogg Chair; and *The Moral Imagination: The Art and Soul of Building Peace*, by John Paul Lederach, professor of international peace building in the Kroc Institute.
- Steve Tomasula, professor of English, wrote a new novel, *VAS: An Opera in Flatland*, that explores issues of power, gender, politics, and self-identity in a post-biological future. Among other books published by English faculty were *The Dark Gaze: Maurice Blanchot and the Sacred*, by Kevin Hart, and a compilation of poems by John Matthias.
- Theologian Joseph Wawrykow was the co-editor of a book, titled *The Theology of Thomas Aquinas*, in which three colleagues, Rev. David B. Burrell, C.S.C., Rev. Thomas F. O'Meara, O.P., and Jean Porter contributed chapters.
- Randall C. Zachman, associate professor of theology, was the co-editor of *Conciliation and Confession: The Struggle for Unity in the Age of Reform, 1415–1648*.



- Philosopher Vittorio Hösle's monumental work *Moral und Politik* was translated into English by Steven Rendall and published by Notre Dame Press.
 - Mark Roche, the I.A. O'Shaughnessy Dean of the College of Arts and Letters, published *Why Literature Matters in the 21st Century*.
 - Historian Marc Rodriguez edited a new book titled *Repositioning North American Migration History: New Directions in Modern Continental Migration, Citizenship and Community*.
 - In a book titled *The Effortless Economy of Science?* economist Philip Mirowski argues that the relationship between science and economics should be reconsidered in light of recent changes in the organization and funding of scientific research in Western countries.
 - Thomas L. Whitman, professor of psychology, provides perspective on the nature of autism and how it develops in a new book titled *The Development of Autism: A Self-Regulatory Perspective*.
 - Researchers from Notre Dame and Argonne National Laboratory discovered a new class of materials that may help provide a better understanding of how radioactive materials behave in the environment, a finding that may be important to the emerging world of nanotechnology.
 - Engineering professor Jeffrey Talley is leading a team of researchers that is developing a novel technology to address the problem of combined sewer outflow, an environmental problem that troubles many major American cities.
- Honors**
- Philosopher Peter van Inwagen, the John Cardinal O'Hara Chair, was elected to the American Academy of Arts and Sciences, the eleventh Notre Dame faculty member elected to the nation's leading learned society.
 - George Marsden, the Francis A. McAnaney Professor of History, was selected the 2005 winner of the \$200,000 Louisville Grawemeyer Award in Religion for his biography of early American theologian Jonathan Edwards.
 - The Polish Council for Christians and Jews selected Rabbi Michael Signer, the Abrams Professor of Jewish Thought and Culture, as its 2005 Man of Reconciliation for contributions to the Christian-Jewish dialogue in Poland.
 - The American Sociological Association presented the Career of Distinguished Scholarship Award to Notre Dame's Maureen Hallinan, one of the world's foremost scholars in the sociology of education.
 - Kristin Shrader-Frechette, the F.J. and H.M. O'Neill Professor of Philosophy and concurrent professor of biological sciences, received the 2004 World Technology Award in ethics from the World Technology Network.
 - Two essays published in *Notre Dame Magazine*, including an article by editor Kerry Temple, were honored in the 2004 volume *The Best American Essays* published by Houghton Mifflin Company.
 - The Dallas Institute of Humanities and Culture awarded its inaugural Hiett Prize in the Humanities to Notre Dame historian Brad Gregory for extraordinary work in the field early in his career.
 - The Internal Revenue Service presented a special service award to accountancy professor Ken Milani for his work as program coordinator of the University's Vivian Harrington Gray Tax Assistance Program, a 33-year-old initiative that provides free income tax preparation service to low-income people in the community.
 - Notre Dame President Emeritus Rev. Theodore M. Hesburgh, C.S.C., received the inaugural Humanitarian Award at the 13th annual Trumpet Awards, a recognition event created by Turner Broadcasting in celebration of African-American achievement in the arts, science, and politics.
 - Thomas Corke, the Clark Equipment Professor of Aerospace and Mechanical Engineering, was named a Fellow of the American Society of Mechanical Engineers.
 - The American Political Science Association honored David Campbell and Gerald Mackie, both assistant professors. Campbell received the E.E. Schattschneider Award for the best dissertation in the field of American government, and Mackie was the recipient of the Gladys M. Kammerer Award for the best political science publication in the field of U.S. national policy.
 - An article by economist Richard Jensen, titled *Proofs and Prototypes for Sale: The Licensing of University Inventions*, was identified by Thomson ISI as one of the most cited papers in the field of social sciences.
 - *Chicago Artists' News*, a publication of the Chicago Artists' Coalition, designated art professor Maria Tomasula as the Best Established Artist for work shown at galleries in the city.



Students

- Industrial design students Selim Nurudeen and Michael Elwell finished in second and third place, respectively, in the 12th annual International Housewares Association Student Design Competition in Chicago. Nurudeen designed “Clean Sweep,” an innovative broom that integrates a vacuum function into the body of the broom, and Elwell designed “Magnificare,” a device that helps people with arthritic hands open push-and-turn prescription bottles.
- Five MBA students in the Mendoza College of Business—Jordan Carlson, Maria Diaz, Jim Ham, David Paredes, and Kevin Wolf—won the \$12,000 first-place prize in the Fuqua Product Strategy Case Competition at Duke University.
- Kristina Drzaic and Kateri McCarthy, seniors majoring in film, television, and theatre, won a first-place prize for their film *Roses are Red* in the inaugural Poppy Jasper Film Festival in Morgan Hill, Calif. A black-and-white romance in which a handsome student is tracked by a secret female admirer perched in a tree, the film won the Oxygen Award, the highest honor presented at the festival for women filmmakers.
- More than 100 students from Notre Dame and some 20 other colleges and universities participated in a peace conference on campus under the sponsorship of the University’s Kroc Institute for International Peace Studies.
- The 138-year-old student-produced magazine *Scholastic* was honored as 2005 Newsmagazine of the Year by the Indiana Collegiate Press Association.
- Senior Jana Lamplota was selected as an Undergraduate Fellow with the Foundation for the Defense of Democracies, a nonprofit, nonpartisan think tank based in Washington, DC, that seeks to educate Americans about the terrorist threat to democracies worldwide.

Development

- Lilly Endowment Inc. awarded a \$3 million grant to Notre Dame as part of a \$100 million program called the “Initiative to Recruit and Retain Intellectual Capital for Indiana Higher Education Institutions.” The University will use the funds to recruit both new faculty and graduate students.
- An agency of the National Institutes of Health awarded a \$10 million contract to Notre Dame’s Center for Tropical Disease Research and Training to create and maintain a center that will manage genomic

information on insects that transmit human pathogens.

- A program directed by biologist Malcolm J. Fraser to develop a new approach to controlling dengue fever received a \$2.5 million grant from the Grand Challenges in Global Health initiative.
- The 6,000-volume personal library of the late Russian and East European studies scholar Alexander Dallin was donated to University Libraries at Notre Dame.
- The Walther Cancer Research Center at Notre Dame received \$350,000 in matching funds to recruit new investigators specializing in cellular oncology and the design of anti-cancer drugs.

Athletics

- Alumnus Charlie Weis, offensive coordinator of the Super Bowl champion New England Patriots, was appointed head football coach, replacing Tyrone Willingham.
- Two Fighting Irish programs won national championships—the women’s soccer team and the combined men’s and women’s fencing team.
- Irish teams ended up 16th nationally for overall excellence in the NACDA Directors’ Cup standings. Notre Dame was first after the fall season, the first time the Irish have been rated No. 1 in the competition.
- Four Notre Dame athletes won gold medals at the Athens Olympic Games: incoming fencer Mariel Zagunis, alumnae Ruth Riley in basketball, and Shannon Boxx and Kate Sobrero Markgraf in soccer.
- The men’s basketball program celebrated its 100th season with the selection of the top 25 players in its history.
- The 87-percent graduation rate for Fighting Irish student-athletes ranked second among Division I-A colleges and universities, according to the NCAA’s final graduation rates report.
- All 22 athletics programs at Notre Dame exceeded the standard for the Academic Progress Rate, a new measure for performance introduced by the NCAA.
- Athletic Director Kevin White, who was rated among the 15 most influential people in college sports by *Street & Smith’s SportsBusiness Journal*, was chosen to serve as second vice president of the National Association of Collegiate Directors of Athletics.

Science in Service to Humanity

Norbert L. Wiech's passion is saving lives. Quite a lofty goal by any standard, as Wiech, a 1960 graduate of Notre Dame, freely admits—but a goal the 66-year-old pharmaceutical entrepreneur feels is within reach, thanks to his collaboration with several scientists at Notre Dame's College of Science.

Wiech, who received his doctorate in biochemistry from Tulane University, develops drugs—more specifically, “orphan drugs,” or treatments for rare diseases that large pharmaceutical companies have little interest in pursuing, as profit margins on their development are low. Says Wiech, “More than 6,000 rare diseases have been identified and, taken collectively, the number of people affected by those rare diseases is greater than those affected by heart disease and cancer. Out of those 6,000 rare diseases, treatments for only 300 have been approved by the FDA. Rare diseases don't fit in with the business models of most large pharmaceutical companies.”

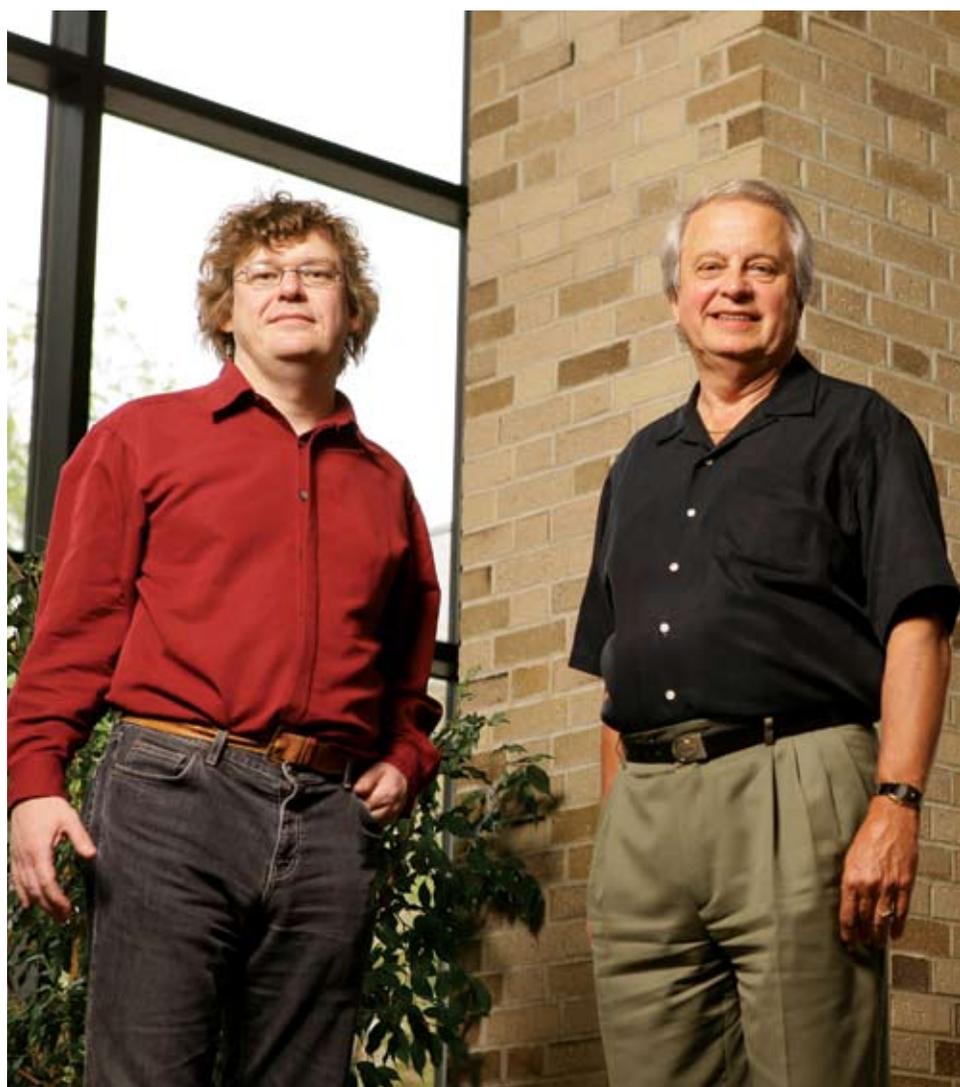
An orphan drug, as defined by the Orphan Drug Act passed by Congress in 1982, is intended to treat a condition that affects fewer than 200,000 persons in the United States. Individuals with rare diseases such as Niemann-Pick, Huntington's, ALS (Lou Gehrig's disease), sickle cell anemia, and thalassemia had little hope of a cure because patient populations were too small to encourage product development. Congress found that drugs for the treatment of more diseases would not be developed unless changes were made in applicable federal laws to provide financial incentives to develop such drugs.

The passing of the Orphan Drug Act encouraged Wiech, who has worked in the pharmaceutical industry for close to 40 years, to start his own small pharmaceutical company in Baltimore, Md. His first orphan drug—which successfully obtained FDA approval for medical use—was a therapy for UCD, or Urea Cycle Disorder, which had only about 240 identified patients in the U.S. Wiech was inspired in part, he says, because he saw the desperation of the families of patients with rare diseases. “When you have a child with a rare disease, the recognition that there is no treatment or cure is simply devastating,” he says.

His fervor to help patients afflicted with rare diseases and their families has fueled his research interests, but it wasn't until a chance meeting in 1999 with Paul Helquist, professor of chemistry and biochemistry at Notre Dame, that he was able to move his research into high gear. Helquist introduced Wiech to Olaf Wiest, professor of chemistry and biochemistry, who specializes in computational organic chemistry. Wiech also was introduced to the work of Martin Tenniswood, whose laboratory focuses on developing treatments for prostate cancer, and to Holly Goodson, assistant professor of chemistry and biochemistry, who specializes in biochemistry and molecular biology.

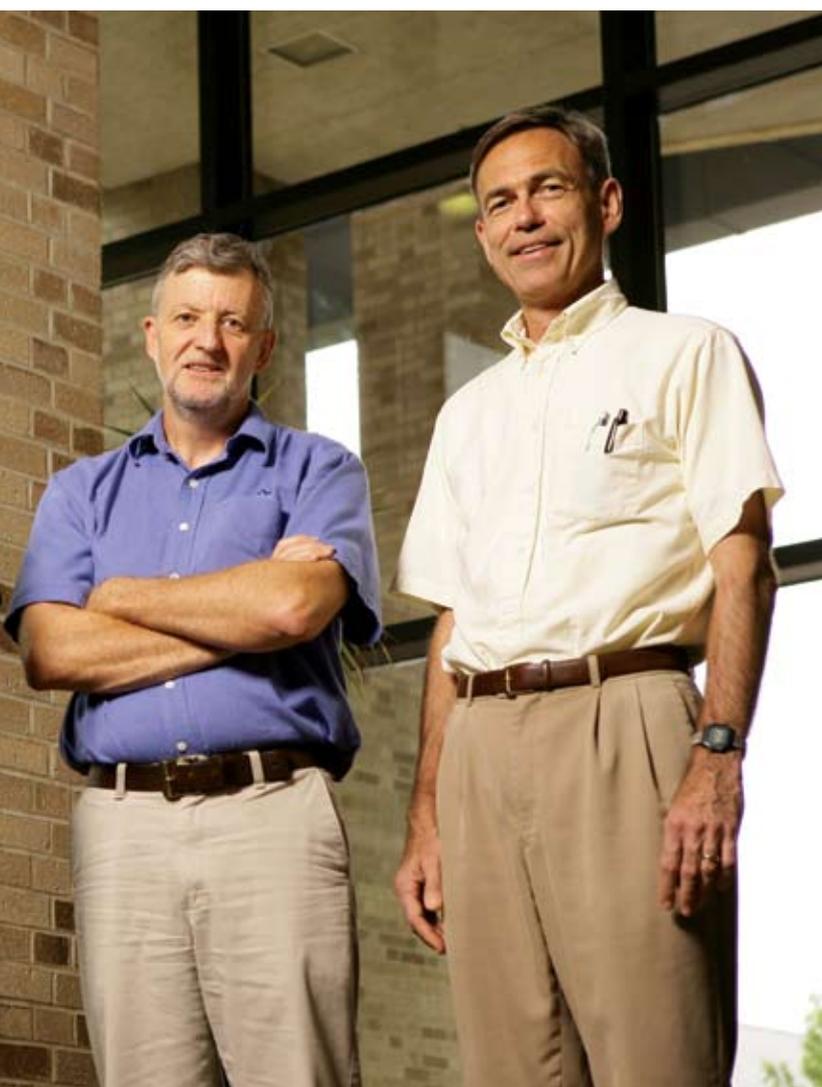
Wiech began collaborating with the Notre Dame scientists on the development of compounds called “HDAC inhibitors.” HDACs (histone deacetylases) are one of the classes of enzymes in each cell that regulate which parts of the genetic code are expressed and produce the proper proteins. Inhibiting HDACs has evolved as a promising approach for the treatment of different genetic diseases, as well as cancer.

Working together, the four scientists pooled their areas of expertise to design, synthesize, and assay several new types of HDAC inhibitors. Among the compounds that arose directly from their early computational modeling studies was CG1521. This compound was shown by Tenniswood to have a unique mode of action and utility for the treatment of prostate cancer. Since that time, several others have also been developed to provide what pharmaceutical companies call a “pipeline” of new compounds for future development. Helquist's laboratory has continued to synthesize these new compounds designed by the Wiest group, which are then studied in the Goodson laboratory to confirm their usefulness. Finally, Helquist has also developed a greatly improved synthesis of trichostatin A, which is generally regarded as the “gold standard” of HDAC inhibitors. Wiech's company, Errant Gene Therapeutics (EGT), is currently working with the researchers at the University to move these developments closer to the patients. Of immediate interest is the development of a treatment for sickle cell anemia.



The collaboration of (from left to right) Olaf Wiest, Norb Wiech, Martin Tenniswood, Paul Helquist, and Holly Goodson (top) has yielded promising developments in the area of orphan drug development.

All of this activity is geared toward developing treatments for rare diseases that would otherwise not be available. By combining their expertise in the areas of synthetic organic chemistry, computational molecular modeling, structural biology, biochemistry, cell biology, and molecular biology, this group of scientists and their colleagues in the College of Science endeavor to fulfill the mission of the University, which, simply stated, is to contribute to the common good. As Wiech says quite eloquently, “We subscribe to the concept put forth by Joe Marino, the dean of the College of Science, that through our activities and collaborations we are engaged in nothing less than pursuing ‘science in service to humanity.’”



Transferring Technology to the Marketplace

In 1931 Notre Dame had its first and most famous foray in technology transfer, when the groundbreaking work of Rev. Julius Nieuwland, C.S.C., with polymerized-2-chloro-1,3-butadiene led to two patents and the development of the first synthetic rubber, Neoprene, by the E.I. DuPont de Nemours chemical company. That bit of “intellectual property” earned the University some \$2 million by the time royalty payments ceased in 1948.

No other “invention” has brought so much recognition and revenue to the University, although some recent efforts are beginning to pay off, albeit modestly. While not in the same league as traditional powerhouses in technology transfer—such as the University of California system, Stanford, MIT, Johns Hopkins, and Wisconsin—the University signaled its support for the patent process by establishing the Office of Technology Transfer in 1999. The university has been issued a total of 55 patents, 11 of them since 1999, with 23 patents pending. And since 1999, license revenue has jumped from \$342 to a cumulative \$823,308 in fiscal 2005. Licenses have been granted to 13 companies to use technology developed at Notre Dame, and options are out to another four. In recent years four new companies have been formed to commercialize Notre Dame technology. Two of these companies were started by Notre Dame faculty. Additionally, there are seven pending license agreements, two of which are with new Notre Dame faculty start-up companies.

To put this into perspective, the 10-campus University of California system (ranked number one in technology transfer according to the Association of University Technology Managers) in 2004 earned \$74.3 million with 270 patents issued. But, says Mike Edwards, an assistant vice president in the graduate school who heads up Notre Dame’s technology transfer office, most schools are “more at Notre Dame’s level. Very few universities actually make money on technology transfer.”

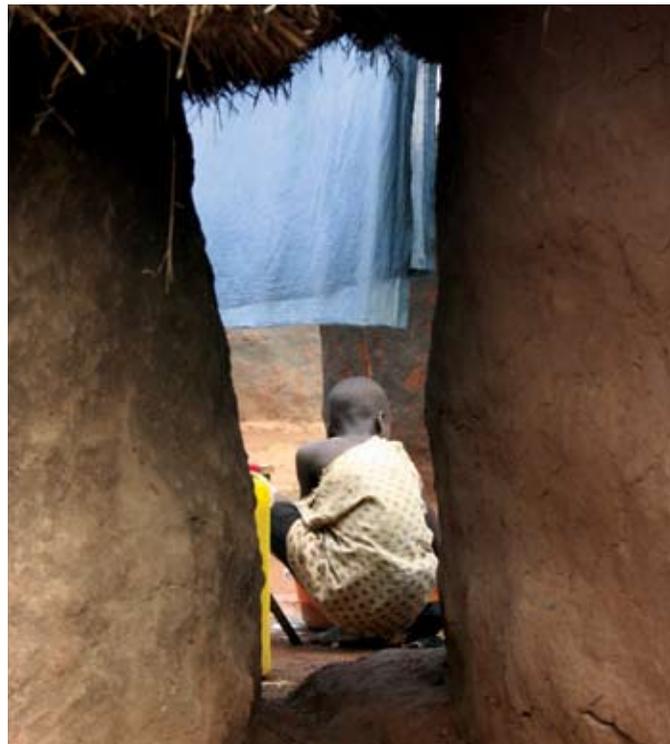
Then why engage in the process at all? “Well,” says Olaf Wiest, who along with colleagues Tenniswood and Helquist, are in the process of licensing their HDAC inhibitor compound to Norb Wiech’s EGT, “we will not cure anybody by publishing a paper.” Jeffrey Kantor, vice president and dean of the Graduate School, echoes this sentiment, “The reasons we’re involved in technology transfer efforts go beyond merely revenue generation. The key thing is that it allows what’s going on in our laboratories to have an impact on peoples’ lives.” He also acknowledges that technology transfer can and does stimulate economic development, particularly in the areas surrounding universities.

Here are just a few of the most recent Notre Dame “inventions”:

- One of the most valuable inventions in recent years, generating earnings of more than \$300,000, is something called “piggyBac.” Developed by biology professor Malcolm Fraser, it has become the most widely used tool for manipulating genes in insects, which is of interest to the pharmaceutical companies looking for gene targets for their new drugs.
- Chemical Engineering Professor Hsueh-Chia Chang, director of the Center for Microfluidics and Medical Diagnostics, and his colleagues have developed and patented the means to quickly mix, pump, and separate incredibly minute amounts of liquid. That ability overcomes a major technical roadblock in the development of a whole new generation of advance diagnostic and sensing devices, ones similar to the new glucose meters for diabetics.
- Another invention of the Microfluidics Center currently licensed to Microfluidic Applications, LLC (MFA) is something called “Zeta filtration.” Dubbed that in the patenting process by Associate Director and MFA co-founder David Leighton, the Zeta filter is a device that uses an AC electric field to quickly separate out “biological nanoparticles,” things like bacteria, viruses, or cellular components, which is important in the development of medical analytic and diagnostic devices.

Undergraduates Influencing Change:

Two students establish the Uganda Conflict Action Network



Michael Poffenberger and Peter Quaranto

In the spring of 2005, Peter Quaranto, then a junior at Notre Dame, found himself in a refugee camp in northern Uganda listening to stories told by children who had survived unimaginable horror—stories of abduction, torture, mutilation, and murder. As he later recounted in an interview back on campus, Quaranto said, “As I sat there listening to people in refugee camps telling me their stories, I just kept thinking to myself: how can this be happening? How can this have happened for 19 years?”

Quaranto was in Uganda as part of a study-abroad program sponsored by the School for International Training in Kampala. Supported by Notre Dame’s Center for Social Concerns (CSC) and the Joan B. Kroc Institute for International Peace Studies, he lived with a family in Kampala, attended classes at Makerere University, and eventually traveled into northern Uganda to document the suffering in the refugee camps. What he found in the camps was human suffering on a scale that most Americans would find hard to believe. The experience left such a mark on Quaranto that he sought out other students who had participated in the program upon his return.

One such student was Michael Poffenberger (BA ’05), a fellow peace studies major who had a similar experience in Uganda. “In fact,” says Quaranto, “Michael and I lived with the same family, only he had gone the year before me. He was instrumental in my choice to go to Uganda in the first place.” Poffenberger, who as a student served as a justice and peace coordinator with the CSC and also on the advisory board of the Kroc Institute, was well known on campus for his bi-weekly column in *The Observer*, Notre Dame’s daily newspaper, in which he attempted to raise awareness of social justice issues.

Poffenberger had had a similar reaction to the suffering of the Ugandan refugees but wondered what he could do as a student to raise awareness about the crisis and explore viable solutions. When Quaranto contacted him, he jumped at the chance to organize a campaign of some kind. Working with a handful of other students who had also participated in the study program in Kampala, they came up with the idea to create the Uganda Conflict Action Network (Uganda-CAN) to, in the words of the organization’s mission statement, “advocate, lobby, and act for an end to the unnecessary human suffering of the nineteen-year-old war in northern Uganda.”

Six months later, they have managed to build an advocacy movement that is relevant not only among concerned college students, but also in policy discussions in Washington, DC, in refugee camps in Uganda, and within activist communities around the world. Says Rev. William Lies, C.S.C., director of the Center for Social Concerns, “It is by no accident that these fine young men have been able to build such an impressive initiative and outreach. They have learned the value and importance of networking and bringing people to the table who otherwise may not be invited. Our center is intentional about cultivating this kind of leadership—leadership that is rooted in Catholic social tradition and animated by transformative educational experiences.”

How did two young, white, middle-class students (Quaranto hails from Franklin, Mass., Poffenberger from Edgewood, Wash.) become so interested in and passionate about helping Ugandan refugees living half a world away? Quaranto says he began to learn what it meant to be a global citizen through his experiences at Notre Dame. Although he was involved in social justice issues as a student in a Catholic high school, his awareness of the global impact of war and poverty increased dramatically when, as a freshman, he became involved in the peace movement on campus. By his sophomore year he was spending more time at the Center for Social Concerns where he began to explore in earnest how “policy choices made in the U.S. have real consequences for people across the world.”

Poffenberger as well took the University’s mission as a Catholic institution to heart. “A Catholic education isn’t just about access to wealth or security or a job; it’s about the formation of a person and our preparation to live as people in community,” he says. He credits both the Center for Social Concerns and the Kroc Institute as playing a pivotal role in this education. Both young men participated in CSC summer immersion experiences in poverty-stricken communities worlds away from the relative comfort of life in the U.S.—Poffenberger in Calcutta, India, and Quaranto in Phnom Penh, Cambodia. Both found those experiences to be a turning point in their awareness of the stark realities of subsistence living that so many of the world’s population face.

Poffenberger and Quaranto plan to make social justice advocacy their life’s work. Poffenberger now serves as an associate director of Africa Faith and Justice Network in Washington, DC, and Quaranto plans to apply for Rhodes and Marshall fellowships as he pursues further education in peace studies. Says Quaranto of the role he hopes to play some day, “There is so much suffering brought on by state-sponsored violence. I want to be part of the solution.” Of their involvement with the Uganda-CAN organization, Poffenberger says, “The campaign is not only about trying to end a war in Uganda; it’s also about living out the Catholic value that we are all responsible for each other.”

Uganda-CAN



Uganda-CAN (www.ugandacan.org) is now a sponsored campaign of Africa Faith and Justice Network (AFJN). Based in Washington, DC, AFJN, whose members are largely religious orders with members on the ground in Africa, has an established policy voice on Capital Hill. Poffenberger introduced the Uganda-CAN campaign to AFJN after he was hired by the organization upon graduation. By sponsoring the campaign, AFJN lends years of accumulated wisdom in the field as well as easier access to policy discussions the campaign might otherwise not enjoy.

opposite: A young girl washes clothes in the Unyama displaced persons camp in the Gulu district of northern Uganda. According to Poffenberger, conditions in the camp are deplorable. The United Nations estimates that approximately 1,000 refugees die per week (of starvation, malaria, cholera, diarrhea, etc.). Structures in the camps are so close together that fires sometimes wipe out thousands of homes at once.

Working Across Disciplines

Both Michael Poffenberger and Peter Quaranto—and some would argue the lives of those they have touched with their advocacy efforts—have benefitted from the interdisciplinary nature of their Notre Dame education. A university embraces many disciplines but rightly pursues a unity of knowledge. In fact, truths found in different fields, enriched by collaborations across disciplines, can help to bring us closer to whole truth, complete thinking, consensus-building, and a multi-faceted understanding of today’s most complex problems.

In this spirit, the University of Notre Dame is home to more than 50 institutes and centers that support the posing of big questions and the transcending of intellectual boundaries. These dozens of arenas for pioneering dialogues in and among the sciences, arts, and humanities help Notre Dame to offer society a stream of well-grounded graduates with broad minds and versatile skills.

This partial list of institutes and centers provides a glimpse of the interdisciplinary opportunities that exist for members of the Notre Dame community:

- Alliance for Catholic Education
- Center for Asian Studies
- Center for Biocomplexity
- Center for Catalysis and Reaction Engineering
- Center for Civil and Human Rights
- Center for Environmental Science and Technology
- Center for Ethics and Culture
- Center for Ethics and Religious Values in Business
- Center for Family Studies
- Center for Nano Science and Technology
- Center for Philosophy of Religion
- Cushwa Center for the Study of American Catholicism
- Ecumenical Institute (Jerusalem)
- Erasmus Institute
- Fanning Center for Business Communication
- John W. Gullivan Program in Journalism, Ethics, and Democracy
- Gigot Center for Entrepreneurial Studies
- Higgins Labor Research Center
- Institute for Church Life
 - Center for Pastoral Liturgy
 - Center for Social Concerns
 - Center for Catechetical Initiatives
 - Satellite Theological Education Program
- Institute for Educational Initiatives
 - Center for Children and Families
 - Center for Research on Educational Opportunity
 - Center for Ethical Education and Development
- Institute for Ethical Business Worldwide
- Institute for Latino Studies
- Institute for Scholarship in the Liberal Arts
- Institute for Theoretical Sciences
- Kaneb Center for Teaching and Learning
- Kellogg Institute for International Studies
- Keough Institute for Irish Studies
- Kroc Institute for International Peace Studies
- Jacques Maritain Center
- Medieval Institute
- Nanovic Institute for European Studies
- Reilly Center for Science, Technology, and Values
- Walther Cancer Research Center
 - Ruth M. Hillebrand Center for Compassionate Care
- White Center for Law and Government

A Catholicism that Makes Connections



The former president of the Catholic Theological Society of America credits Notre Dame professor Rev. Daniel G. Groody, C.S.C., with producing “the richest writings on the spirituality of migration I have been privileged to read.” Those writings, part of an extensive and ongoing study of Mexicans’ perilous and profound experiences as undocumented immigrants in the United States, represent some of the fruit borne by a path-breaking partnership between the Department of Theology and the Institute for Latino Studies (ILS). In turn, this partnership, five years after the ILS was established, driven by a distinguished assemblage of experts on Latino spirituality, has given extra energy to a theology program long recognized as a national treasure for the Catholic Church.

“We’re blending together the best of contemporary thought and traditional reflection,” says Father Groody, referring to Notre Dame’s desire to keep its wealth of theological expertise in touch with the evolving needs and gifts of the U.S. Church. Groody, author of *Border of Death, Valley of Life: An Immigrant Journey of Heart and Spirit*, sees the work on immigrant spirituality as “a whole new way of thinking about theology, recognizing the reality of people who are crucified today.” But he says it’s only one of the paths of increased sensitivity to today’s Church, and especially to the poor, that have been catalyzed by Theology Department chair John Cavadini. The broader interest in and outstanding service to Latino Catholics springs partly from a unique community of scholars assembled in the past several years.

The influx of Hispanic-accented talent to Notre Dame has included not only Groody, but Rev. Virgilio Elizondo, whose insights into *mestizo* spirituality have since prompted *Time* magazine to call him one of today’s leading spiritual innovators; Rev. Gustavo Gutiérrez, O.P., recognized as the father of liberation theology; and Timothy Matovina, an expert on Latino religion who directs Notre Dame’s Cushwa Center for the Study of American Catholicism. Besides publishing books that have gained significant attention, the scholars were key players in convening a landmark conference on *Migration and Theology* in September 2004, at Notre Dame. The meeting followed from another major international gathering in 2002, titled *The Option for the Poor in Christian Theology*.

The department has long trained theologians for the nation's more than 200 Catholic colleges, as well as leading Protestant and secular institutions, and now this success story is being repeated among a new community of world-class Latino scholars and graduate students. By one estimate, last year, one third of the Latino Catholic Ph.D. students in theology in the United States were studying at Notre Dame. This community is combining theology with empirical research and pastoral practice to make lasting impacts on the Catholic Church. Plans for new contributions include hosting a national conference of La Red (the national network of Latino youth and young adults) next summer and a major conference on Our Lady of Guadalupe in November 2006.

The Institute for Latino Studies, established in 1999, has become an important force for insight—and outreach—into the growing Latino population. Studies using multiple academic disciplines have complemented the theological dialogue that Notre Dame is spearheading and also have taken different paths toward understanding people's lives more deeply. Just as the Institute's Center for Latino Spirituality and Culture, directed by Groody, is waking people up to new theological possibilities, the ILS's Metropolitan Chicago Initiative is alerting people to potentially divisive economic and social trends.

A new study from the Initiative reported this June that there are signs of overall economic improvement among the 563,500 Mexican immigrants and 504,000 U.S.-born Mexican Americans living in metropolitan Chicago. But the report, "The Economic Progress of U.S. and Foreign-Born Mexicans in Metro Chicago: Indications from the United States Census," warns that living standards have deteriorated sharply for Mexican Americans without high school diplomas. The Metropolitan

Chicago Initiative plans to continue enhancing vibrant and socially just communities in Chicago by doing policy-relevant research, cultivating partnerships, and expanding knowledge of the region's Latinos. It launched a website, Chicago Fact Finder, to more widely distribute census data showing, among other things, that one in four Chicago-area residents is Latino.

All of these endeavors together represent a Catholic university's unique mission to create a complete picture of the contemporary world for today's students, says Father Groody. "We're providing an integrated education for the mind and heart, and part of that is educating for justice." Embracing a new generation of Latinos will make the Notre Dame family more universal, and therefore more Catholic, he says. Just as the Irish immigrants fought for dignity, justice, and better opportunities in previous generations—and Notre Dame became identified with "the fighting Irish"—so too is the new generation of Latinos fighting for their place in society and influencing the Church and Notre Dame in the process. The mission of higher values in higher education goes on, Father Groody points out. "We're not just giving people information in the classroom, but giving them formation through what we teach—leading to transformation of the whole society."



Crossing New Borders

Father Dan Groody's committed exploration of immigrants' suffering and spirituality not only builds bridges across academic disciplines but connects people from many different walks of life. In addition to his scholarly books, articles, and academic conferences, he has produced a powerful documentary, *Dying to Live: A Migrant's Journey*, which is being circulated worldwide. It was also selected for the International Hispanic Film Festival in autumn 2005, and it has been adopted by the U.S. Conference of Catholic Bishops for their "Justice for Immigrants" Campaign. It is also being used extensively by Catholic Charities, and Catholic Relief Services, and it has premiered at many educational institutions, including Harvard University.

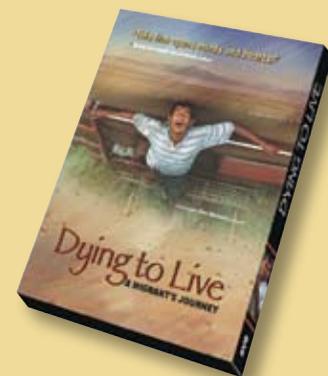
Even while recognizing the complex social, economic, and political issues at stake, Father Groody brings out the human face of the migrant and the face of Christ in the migrant. He has walked with these immigrants in the treacherous deserts they cross, the mountains

they climb, and the detention centers where they are held—all to work at jobs that no one wants and in order to find food for their families at home. By sharing this odyssey, Father Groody has brought Catholic social teaching to modern media, and he has prompted new collaboration among Catholics and all people of goodwill.

Dying to Live asks who these immigrants are, why they leave their homes, and what they face in their journey. Drawing on the insights of Pulitzer Prize winning photographers, as well as theologians, church and congressional leaders, activists, musicians, and immigrants themselves, the documentary helps audiences experience the places of conflict, pain, and hope along the U.S.-Mexican border. It is a reflection on the human struggle for a more dignified life and the search to find God in the midst of it all.

Even though he has 15 years of experience studying the subject, Father Groody feels his work on behalf of

the most vulnerable is just beginning. He continues to work on various books about globalization, migration, spirituality, and justice. In addition, he is working on a new film for the U.S. Bishops on the Church's role in immigration reform and a new documentary film with a Hollywood producer, through which he hopes to blend academic excellence with modern media, theology with contemporary issues, and the resources of Notre Dame with the needs of the poor.



Faith Brings Focus to Learning and Living



Kelly Jentzen closed out the 2004–05 academic year happy to return to the faith resources that first had made Notre Dame feel like home for her and eager to share those gifts with old friends and new ones. She had spent a rewarding spring semester as a junior studying abroad in Australia, but her agenda for the summer and fall was already crowding up. “Senior year is time to give back all that I was given in my first years here,” she says, so the prospect of being an RA in Lyons Hall and her growing leadership role in the “ND Vision” summer conference program for high schoolers quickly refocused her mind away from the joys “down under.” She looked forward to rejoining these communities and contributing to the religious underpinnings that make them so meaningful.

“Being part of a community that’s so full of faith keeps helping me set my standards higher and strive for more—trying not just to be a good person but to be a holy person,” says the native of Scottsburg, Ind., who is majoring in psychology with an interdisciplinary minor in education, schooling, and society. She remembered her early days on campus, accustomed to being part of a Catholic minority in a small rural town and finding Notre Dame to be *terra incognita*. “I was a scared freshman,” Jentzen recalls. But being welcomed into the Lyons Hall family, and its 10 p.m. Sunday Mass, made a huge difference. “Coming together as a faith community and as a Lyons community gave me strength.”

Finding that grounding has led to a lively journey, “figuring out what I stood for” as a Catholic individual, forming friendships where mutual support went hand-in-hand with love for God, and taking on new responsibilities to reflect that love both on and off campus. As time went on,

Jentzen joined friends in attending weeknight Masses at Alumni Hall. She became liturgical commissioner at Lyons and helped to start a week-night Mass there. Between her sophomore and junior years, she volunteered as a “mentor in faith” (counselor) for ND Vision, an Institute for Church Life initiative designed to help teenagers discern vocations and understand how God is calling them. In the fall of her junior year, she also taught Sunday school to kindergartners at a local Catholic parish.

After a spring semester that included studying at Australia’s University of Notre Dame in Fremantle and living with an aboriginal community in the Outback, Jentzen was set to repeat her summertime counselor duties for ND Vision. As a senior, she will be working more closely with the ND Vision program to help prepare for next summer’s conferences, as well as continue to foster community among the 2005 staff. The annual renewal of the Institute for Church Life counselor team will involve regular rosary prayer and other experiences of faith that can then be passed along through the camp-like conference experiences. Jentzen will also be part of a Campus Ministry team helping classmates who wish to prepare for the Sacrament of Confirmation; a few dozen students typically undertake this process every year.

But much of her attention was focused on returning to Lyons Hall and being able to make nervous newcomers feel right at home. “Being an RA is definitely a ministry,” says Jentzen. She wants to bring other people into the powerful, albeit hard-to-define, spirit of the campus. That ministry will be part of her own continuing journey of faith, which she says is a combined discernment of “what your gifts are” and “what you’re called to do with those gifts.”

For now, she is considering teaching after graduation, perhaps as part of Notre Dame’s Alliance for Catholic Education (ACE) program. She is also considering pursuing a degree in clinical psychology. More choices lie ahead, but she’s confident of the journey’s outcome based on her experiences so far. “There’s just something about Notre Dame that is different, that fosters a community that helps people develop in all areas of their life.”

Called...Gifted...Ready... Notre Dame youth program seeks to energize the faith of young people



Leonard DeLorenzo (BA '03)
Director, Notre Dame Vision

As a counselor for the Notre Dame Vision program, Kelly Jentzen is able to combine two of her passions—her faith and her love of teaching. ND Vision, as it is known, is an initiative of the University of Notre Dame’s Institute for Church Life designed to foster a sense of calling among young people, specifically high school students.

Why target this group of teens? “This is the age at which young people are really beginning to make significant life decisions for themselves—who they are and what they are about,” says Leonard DeLorenzo (BA '03), director of the program. According to DeLorenzo, ND Vision introduces young people to the process of “discernment,” of recognizing a particular path to take and having the ability to make choices that will have an impact on how they live their lives. In general, the program seeks to help young men and women realize, through their own faith experience, that each of them is called in a unique way to use their gifts as God intends.

The program hosts four “conferences” throughout the summer, pairing high school students in a summer-camp environment with Notre Dame students who become their “mentors in faith.” Throughout the five-day experience, participants engage in large group experiences, liturgies, individual and communal prayer, small group time, and entertaining activities such as plays and musical performances. By the end of their stay, says DeLorenzo, “the teens more fully realize that their lives are important, that the concept of vocation applies to them as well as to anybody else. They leave with a sense of purpose—they’ve begun to recognize their individual gifts and are ready to use them.”

DeLorenzo reports that the feedback from participants and mentors has been outstanding. And he should know from first-hand experience. Not only is he the current director of the program, but he also was a faith mentor in the program’s first summer in 2002. Such recent experience “in the trenches,” he says, now helps him train the next batch of counselors.

Development Update

As Notre Dame prepared for changes at the highest levels of administration, charitable giving remained strong in 2005, with a total of 58,056 donors giving \$119.3 million.



Notre Dame's undergraduate alumni participation rate is consistently among the highest of all academic institutions, and last year, it held steady at 50 percent—especially gratifying, as it reflects the continued confidence and enthusiasm of those who have directly experienced all the University has to offer. In fact, the Class of 1955 broke an institutional record—77.8 percent of all class members made gifts totaling nearly \$805 thousand in honor of their 50th reunion.

Another reflection of excitement about Notre Dame's future: New pledge commitments totaled an historic \$80.0 million, compared to just \$24.1 million in 2004. That ranks fiscal year 2005 among the top three years in the University's history in terms of pledge commitments. Even more impressive—three of these new pledges were for amounts of \$10 million and more.

Unrestricted giving also reached an all-time high in 2005, with a total of \$23.0 million, an increase of \$2.7 million from last fiscal year. In 2003, the President's Circle was established to provide funds for pressing needs outside of the planned budget. This new giving society became more important than ever in 2005, as the University prepared for the transition to new leadership with Father John Jenkins. President's Circle members expressed their support with \$1.75 million in unrestricted contributions.

Relationships with corporations and foundations remained strong in 2005, resulting in \$34.9 million in total gifts, and law school advancement, propelled by a major capital campaign for the renovation and expansion of the Law Building, garnered \$7.0 million.

Total contributions fell short of the previous year's \$173.7 million, a figure that reflected an historic \$50 million bequest from Joan Kroc. However, planned giving continues to be a major source of funding for the University, contributing \$24.2 million in cash receipts in 2005. A planned gift of \$40 million, announced in February 2005 by Notre Dame trustee and alumnus Jay Jordan, was the second-largest ever committed to the University. New in 2005, charitable gift annuities—which provide charitable tax deductions and guaranteed lifetime income—generated \$6.3 million.

Thus, as Notre Dame begins a new era, striving to preserve a treasured heritage while bolstering its academic prominence, a loyal constituency of alumni and friends continues to be its greatest asset. The reliable strength of their support is directly linked to the University's capability to realize its bold vision for the future.

Louis M. Nanni
Vice President for University Relations



Scholarship Recipient Shawn Sanford

By most accounts, the first endowed scholarship bestowed upon Notre Dame was given to Rev. Edward Sorin, C.S.C., in 1854 by the Rev. Philip Foley. More than 40 years later, President Rev. Andrew Morrissey C.S.C., would announce, at the University's 52nd Commence-

ment, the endowment of Notre Dame's "first" scholarship by Colonel John Fellows, a non-Catholic lawyer of some regard.

While the records may dispute one another, the message that emerges from these various accounts is startlingly clear: from the very first, the men who led this University to fulfill its potential were keenly aware of the inimitable value that scholarships would bring to their educational endeavor.

Today, Father Jenkins walks in line with his predecessors, continuing to designate financial aid as the University's top funding priority and manifesting this commitment through a critical resource that was unavailable to Fathers Sorin and Morrissey: the President's Circle.

Sophomore Shawn Sanford knows first-hand what this kind of support can mean to a young person. "I knew this was the place for me," she says with gusto, "when I visited as a high school senior." Since then, she says, the University has turned out to be even "beyond" her expectations.

Such enthusiastic praise is typical for the average Notre Dame student. But nothing about this honor student, Walsh Hall commissioner, and scholarship recipient is average: a foster child, Shawn has been legally emancipated and living

on her own since age 17. Witnessing the hardship of friends and family in the poor Chicago neighborhoods she grew up in, Shawn views an education as a passport to success and personal fulfillment. But she says she could not have attained it without scholarship assistance.

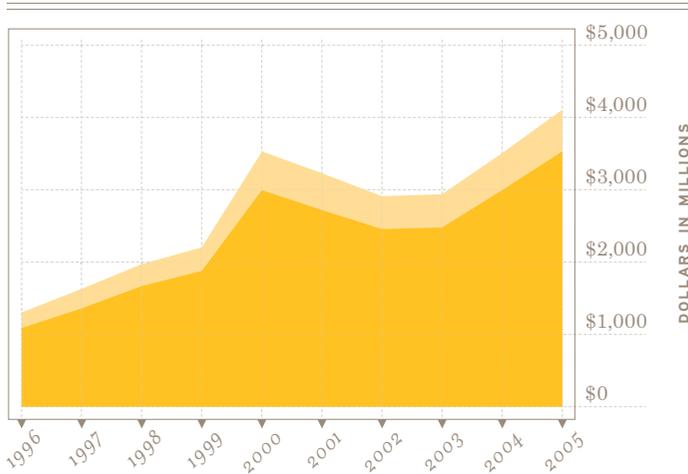
Now a history and American studies double major with a minor in a new program called Education, Schooling, and Society, Shawn reflects on her unusual circumstances: "I think I'm meant to have an impact on people. I want to help people like me to learn about education and options. I want others to know all the doors that education can open up to them."

"That's why I'm here," she adds. "That is my job, and Notre Dame will allow me to do it."

Investment Review

The beginning of the presidency of Father John Jenkins reminds us of Notre Dame's sense of history and appreciation for tradition. Prominent among the University's traditions are the allegiance of its alumni and other benefactors, who express their conviction about the University's important mission financially, and the belief that endowment is the financial lifeblood of the institution. Naturally, the two are related, and both benefit from the University's commitment to a strong investment management program.

INVESTMENT POOL MARKET VALUE [1996–2005]
Fiscal years ending June 30



- OTHER ASSETS
- ENDOWMENT

NOTE: A small portion of Endowment assets, \$160.1 million at fiscal year end, are held outside the investment pool due to the nature of the asset or donor restrictions.

It's hard to imagine anything more rewarding professionally than to see the impact our investment program has had on the Notre Dame community during my sixteen years as chief investment officer. Another of the many rewards of this position is the opportunity to work directly with our students in the classroom, teaching them about investments. In fact, quite a few of our staff in the University's Investment Office play a role helping our students learn about investment theory and the practicalities of trading securities. Even the University's investment managers get involved, volunteering time to lecture in class and to host students in their offices to learn more about the "real world" of the investment business. It all comes back to why we are here, in fact to the very reason we have an endowment—to support the academic mission of Notre Dame.

—Scott Malpass



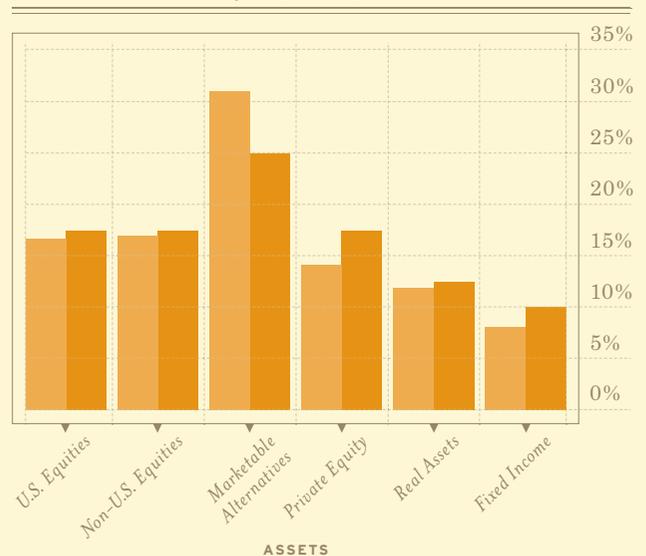


In fiscal 2005, investment returns ranked among the highest in the country for colleges and universities for the second consecutive year, continuing a long trend of excellence in investment management at Notre Dame. Enhanced by a 19.06 percent return (net of investment management charges), the value of the Notre Dame Endowment at June 30, 2005 was \$3.691 billion, up from \$3.123 billion at the end of the prior fiscal year. The value of the total investment pool, of which Endowment is the largest component but which also includes longer-term operating funds, was \$4.107 billion at year end, compared to \$3.507 billion at the prior year end.

By comparison, the University's Strategic Policy Portfolio (SPP), an internal benchmark consisting of a weighted average of various indices representative of the target investment portfolio, returned 14.38 percent for the year. The Trust Universe Comparison Service (TUCS) Large Fund (greater than \$1 billion) Median return, a common benchmark of investment performance for large institutional investors generally, was 10.50 percent.

Performance was strong across the portfolio once again, as every major asset class outperformed its benchmark for the year. Outstanding positive contributions came from venture capital, which benefited from the Google initial public offering; real assets, particularly the energy sector; and emerging markets equities.

ASSET ALLOCATION [June 30, 2005]



- INVESTMENT POOL
- STRATEGIC POLICY PORTFOLIO

Of course, sustained performance over time is the best gauge of an investment management program. For the ten-year period ended June 30, 2005, the investment pool's annualized return was 14.79 percent, significantly outperforming the SPP return of 10.00 percent and the TUCS Large Fund Median return of 9.43 percent.

The accompanying chart demonstrates the impact of these returns in dollar terms and shows relative growth in value of a \$1,000 donation made ten years ago. Looked at another way, the University's investment management program added nearly \$1.6 billion in market value to the investment pool over the ten years ended June 30, 2005, compared to what the market value would have been had actual investment returns equaled the returns on the SPP over that period.

This means that Notre Dame can accomplish more today while also strengthening its financial foundation for the future. Providing an important supplement to tuition and other operating revenues, spending from the investment pool of \$133 million in fiscal 2005 funded nearly one-fifth of the University's total expenditures for the year.

The largest component of spending in fiscal 2005 once again was financial aid (scholarships and fellowships), accounting for more than 31 percent of total spending for the year. But nearly every aspect of the University's mission was touched, from library collections to academic programs to endowed faculty positions. Funded activities are as diverse as teaching pre-med students how to communicate more effectively and compassionately with patients, training spiritual directors for pastoral service in parishes, and creating internships for students in public service, and general University operations.

Father Jenkins will build on Notre Dame's defining traditions as he molds its future. The financial strength and stability provided by growth in endowment and other invested assets will help secure that future for the generations that follow us. Thus, there is an immense responsibility to preserve our valued financial traditions, managing financial resources with sound investment and prudent spending decisions, and in doing so, reaffirming the confidence of the University's generous benefactors. Indeed, this is our commitment as we begin the term of the University's seventeenth President.

Scott C. Malpass
Vice President and Chief Investment Officer

INVESTMENT PERFORMANCE PROFILE

Change In Value of \$1,000 Invested July 1, 1995 – June 30, 2005*

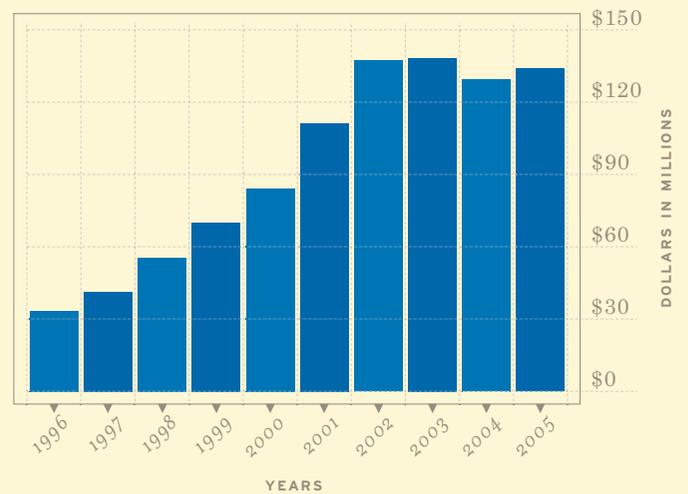


*A comparison of change in value of a hypothetical \$1,000 investment (assuming no spending distributions).

- NOTRE DAME ENDOWMENT
- STRATEGIC POLICY PORTFOLIO
- TUCS LARGE FUND MEDIAN

INVESTMENT POOL SPENDING [1996–2005]

Fiscal years ending June 30



INVESTMENT POOL SPENDING PURPOSES

Fiscal year ending June 30



STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	AS OF JUNE 30	
	2005	2004
ASSETS		
Cash and cash equivalents	\$ 53,112	\$ 75,976
Accounts receivable, net	24,615	22,162
Deferred charges and other assets	23,020	17,071
Contributions receivable, net	78,329	60,303
Notes receivable, principally for student loans, net	35,370	31,926
Investments	4,303,483	3,701,554
Land, buildings and equipment, net of accumulated depreciation	737,511	702,582
	<u>5,255,440</u>	<u>4,611,574</u>
Total assets	\$ 5,255,440	\$ 4,611,574
LIABILITIES		
Accounts payable	\$ 16,015	\$ 16,985
Refundable advances	19,967	13,123
Deferred revenue	42,918	46,529
Deposits and other liabilities	70,910	43,982
Amounts payable under split-interest agreements	29,245	25,905
Bonds and notes payable	281,875	283,555
Pension and other postretirement benefits	132,375	107,738
Government advances for student loans	27,801	27,072
	<u>621,106</u>	<u>564,889</u>
Total liabilities	621,106	564,889
NET ASSETS		
Unrestricted		
Undesignated	188,687	120,846
Designated for specific purposes	51,464	122,542
Invested in land, buildings and equipment	455,636	434,073
Funds functioning as endowment	1,665,249	1,383,030
	<u>2,361,036</u>	<u>2,060,491</u>
Total unrestricted	2,361,036	2,060,491
Temporarily restricted	1,439,843	1,189,426
Permanently restricted	833,455	796,768
	<u>4,634,334</u>	<u>4,046,685</u>
Total net assets	4,634,334	4,046,685
	<u>\$ 5,255,440</u>	<u>\$ 4,611,574</u>
Total liabilities and net assets	\$ 5,255,440	\$ 4,611,574

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2005	2004
OPERATING REVENUES AND OTHER ADDITIONS		
Tuition and fees	\$ 314,673	\$ 295,401
Less: Tuition scholarships and fellowships	(108,652)	(100,330)
Net tuition and fees	206,021	195,071
Grants and contracts	68,589	68,190
Contributions	24,027	20,301
Investment return distributed	69,801	65,734
Sales and services of auxiliary enterprises	137,354	130,404
Other sources	24,571	22,483
Total operating revenues	530,363	502,183
Net assets released from restrictions for operations	72,737	76,524
Total operating revenues and other additions	603,100	578,707
OPERATING EXPENSES		
Instruction	219,480	216,487
Research	59,000	54,891
Public service	16,374	18,329
Academic support	40,291	37,718
Student activities and services	25,377	27,178
General administration and support	127,495	113,116
Auxiliary enterprises	127,821	117,044
Total operating expenses	615,838	584,763
Decrease in unrestricted net assets from operations	(12,738)	(6,056)
NON-OPERATING CHANGES IN UNRESTRICTED NET ASSETS		
Contributions	6,246	13,036
Investment return:		
Investment income	55,396	24,715
Net gain on investments	298,052	284,829
Less: Investment return distributed	(69,801)	(65,734)
Total non-operating changes	283,647	243,810
Net gain/(loss) on other financial instruments	(14,753)	7,848
Net assets released from restrictions for investment and physical facilities	49,313	50,329
Change in additional pension liability	(11,170)	6,106
Other non-operating changes	-	10,450
Increase in unrestricted net assets from non-operating activities	313,283	331,579
Increase in unrestricted net assets	\$ 300,545	\$ 325,523

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2005	2004
UNRESTRICTED NET ASSETS		
Operating revenues and other additions	\$ 603,100	\$ 578,707
Operating expenses	(615,838)	(584,763)
Decrease in unrestricted net assets from operations	(12,738)	(6,056)
Increase in unrestricted net assets from non-operating activities	313,283	331,579
Increase in unrestricted net assets	300,545	325,523
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	54,460	45,785
Investment income	44,380	24,060
Net gain on investments	272,821	266,628
Change in value of split-interest obligations	806	1,271
Net assets released from restrictions	(122,050)	(126,853)
Increase in temporarily restricted net assets	250,417	210,891
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	33,225	70,437
Investment income	2,173	1,102
Net gain on investments	551	584
Change in value of split-interest obligations	738	1,226
Increase in permanently restricted net assets	36,687	73,349
Increase in net assets	587,649	609,763
Net assets at beginning of year	4,046,685	3,436,922
Net assets at end of year	\$ 4,634,334	\$ 4,046,685

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEARS ENDED JUNE 30	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 587,649	\$ 609,763
Adjustments to reconcile increase in net assets to net cash provided/(used) by operating activities:		
Depreciation	34,575	33,674
Adjustment to carrying value of buildings and equipment	5,061	11,139
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(8,402)	(4,757)
Contributions receivable	(18,026)	12,473
Accounts payable, refundable advances, deferred revenue, and deposits and other liabilities	29,191	(16,705)
Amounts payable under split-interest agreements	3,340	4,663
Pension and other postretirement benefits	24,637	9,445
Contributions for investments and physical facilities	(58,454)	(123,458)
Investment income restricted for reinvestment	(2,173)	(1,102)
Net gain on investments	(571,424)	(552,041)
Other, net	2,215	(1,177)
Net cash provided/(used) by operating activities	28,189	(18,083)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	(32,720)	(47,589)
Purchases of land, buildings and equipment	(74,565)	(54,111)
Student loans granted	(10,202)	(6,906)
Student loans repaid	6,713	6,606
Other changes in notes receivable	45	233
Net cash used by investing activities	(110,729)	(101,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for:		
Investments	46,260	109,178
Physical facilities	12,194	14,280
Investment income restricted for reinvestment	2,173	1,102
Proceeds from bonds issued	—	65,000
Repayment of bonds and notes	(1,680)	(34,264)
Government advances for student loans	729	477
Net cash provided by financing activities	59,676	155,773
Net change in cash and cash equivalents	(22,864)	35,923
Cash and cash equivalents at beginning of year	75,976	40,053
Cash and cash equivalents at end of year	\$ 53,112	\$ 75,976

See accompanying notes to financial statements.

NOTE 1. | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The University of Notre Dame du Lac is a private, coeducational, national Catholic research university. The accompanying financial statements include the assets and operations of certain other entities, which are owned and operated by the University of Notre Dame du Lac. The University of Notre Dame du Lac and entities included herein are referred to individually and collectively as the “University.”

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

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

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

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

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

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

Revenues associated with research and other grants and contracts are recognized when related costs are incurred. 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.

The University’s measure of operations as presented in the statements of changes in unrestricted net assets includes income from tuition and fees, grants and contracts, unrestricted contributions, investment return distributed according to the University’s spending plan and revenues from auxiliary enterprises and other sources. Other additions include net assets released from restrictions based upon their use in support of operations. Operating expenses are reported by functional categories, after allocating costs for operations and maintenance of plant, interest on indebtedness and depreciation expense.

Non-operating activity presented in the statements of changes in unrestricted net assets includes unrestricted contributions designated by the University for endowment and acquisition of physical facilities and equipment, investment return in excess of or less than the amount distributed under the spending plan, any gains or losses on other financial instruments, net assets released from restrictions designated for investment and physical facilities, and other activities considered to be more of an unusual or non-recurring nature.

CONTRIBUTIONS

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

AUXILIARY ENTERPRISES

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Valuation

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

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

Open futures and options contracts are primarily valued at the closing exchange quotations on the last business day of the year. The fair value of certain options contracts for which market quotations are not readily available are based upon valuations provided by counterparties, which represent the estimated amount the counterparties would receive or pay to terminate the contract at the reporting date. Brokerage commissions on open positions are accrued as a liability of the University in full upon the initiation of such open positions. Upon entering into futures contracts, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contracts are traded. New contracts and changes in margin requirements resulting from changes in the fair value of the instruments are funded each business day.

Off-Balance Sheet Risk

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forward, futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statements of financial position and is not represented by the contract or notional amounts of the instruments.

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

Endowment

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

OTHER FINANCIAL INSTRUMENTS

The University utilizes derivative instruments in a limited manner, primarily interest rate swap agreements, to manage interest rate risk associated with its debt portfolio. These instruments are reported in the statements of financial position at fair value, which is based on valuations provided by counterparty banks and represents the estimated amount that counterparties would receive or pay to terminate the instrument at the reporting date. Any gains or losses resulting from changes in the fair value of these instruments or periodic net cash settlements with counterparties are recognized currently as non-operating changes in unrestricted net assets.

LAND, BUILDINGS AND EQUIPMENT

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

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

The University has applied the provisions of AICPA Statement of Position 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use,” when accounting for costs related to the development of software for internal use.

SPLIT-INTEREST AGREEMENTS

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

USE OF ESTIMATES

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

TAX STATUS

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

RECLASSIFICATIONS

Certain amounts in the 2004 financial statements and footnotes have been reclassified to conform with the 2005 presentation.

NOTE 2. | ACCOUNTS AND NOTES RECEIVABLE

At June 30, 2005, accounts and notes receivable are stated net of allowances of \$421,000 and \$1,117,000, respectively. At June 30, 2004, these allowances were \$1,630,000 and \$1,204,000, respectively.

Notes receivable are principally amounts due from students under U.S. government sponsored loan programs, which are subject to significant restrictions. As it is not practicable to determine the fair value of such amounts, notes receivable are recorded at face value.

NOTE 3. | CONTRIBUTIONS RECEIVABLE

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

	2005		2004	
Unconditional promises expected to be collected in:				
Less than one year	\$	26,006	\$	28,082
One year to five years		53,912		41,551
More than five years		60,739		25,726
		<u>140,657</u>		<u>95,359</u>
Less:				
Unamortized discount		31,964		15,715
Allowance for uncollectible amounts		30,364		19,341
		<u>62,328</u>		<u>35,056</u>
	\$	<u>78,329</u>	\$	<u>60,303</u>

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

	2005		2004	
Temporarily restricted	\$	49,047	\$	33,144
Permanently restricted		29,282		27,159
	\$	<u>78,329</u>	\$	<u>60,303</u>

NOTE 4. | INVESTMENTS

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

	2005		2004	
	COST	FAIR VALUE	COST	FAIR VALUE
Short-term investments	\$ 179,198	\$ 194,151	\$ 229,212	\$ 230,730
Equity securities	1,206,582	1,507,146	1,091,641	1,327,393
Debt securities	300,278	317,957	361,922	375,420
Real estate	107,811	142,736	95,090	129,742
Other investments	1,973,265	2,141,493	1,584,404	1,638,269
	<u>\$ 3,767,134</u>	<u>\$ 4,303,483</u>	<u>\$ 3,362,269</u>	<u>\$ 3,701,554</u>

Other investments include alternative investment strategies, such as private equity and marketable alternatives.

Investments totaling \$4.11 billion at June 30, 2005 and \$3.51 billion at June 30, 2004, are pooled on a market value basis with each participating fund owning units in the pool. Additions or withdrawals are based on the market value of the pooled investments. The value per unit was \$2,130 and \$1,835 at June 30, 2005, and 2004, respectively. Certain other investments are held in specific instruments to comply with donor requirements.

The University is obligated under certain investment contracts to periodically advance additional funding up to contractual levels. At June 30, 2005 such amounts approximated \$1.14 billion.

INVESTMENT RETURN

Investment return for the years ended June 30, 2005, and 2004, is comprised of the following (in thousands):

	2005		2004	
Investment income, net	\$	101,949	\$	49,877
Realized gain		375,051		267,620
Unrealized gain		196,373		284,421
	\$	<u>673,373</u>	\$	<u>601,918</u>

Investment income is reported net of related expenses, primarily investment advisory fees, of \$14,566,000 and \$14,563,000 for the years ended June 30, 2005, and 2004, respectively.

NOTE 5. | LAND, BUILDINGS AND EQUIPMENT

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

	2005	2004
Land and land improvements	\$ 56,235	\$ 51,647
Buildings	735,166	720,659
Equipment	179,791	180,273
Construction in progress	62,809	24,377
	<u>1,034,001</u>	<u>976,956</u>
Less accumulated depreciation	296,490	274,374
	<u>\$ 737,511</u>	<u>\$ 702,582</u>

Depreciation expense was \$34,575,000 and \$33,674,000 for the years ended June 30, 2005, and 2004, respectively. The University has commitments to expend approximately \$41 million to complete various construction projects as of June 30, 2005.

NOTE 6. | BONDS AND NOTES PAYABLE

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

	2005	2004
St. Joseph County, Indiana		
Educational Facilities Revenue Bonds:		
Series 2003, bearing interest at 2.50 percent through 2007, variable thereafter through 2038	\$ 65,000	\$ 65,000
Series 2002, bearing interest at a variable rate (2.18 percent currently) through 2037	65,000	65,000
Series 1998, bearing interest at a variable rate (2.20 percent currently) through 2033	43,000	43,000
Series 1997, bearing interest at 4.5 percent to 5.25 percent through 2027	28,275	28,975
Series 1996, bearing interest at 5.5 percent to 6.5 percent through 2026	30,000	30,000
Indiana Educational Facilities Authority Revenue Bonds:		
Series 1997, bearing interest at 4.5 percent to 5.25 percent through 2025	22,830	22,910
Series 1995, bearing interest at a variable rate (2.18 percent currently) through 2025	26,500	26,500
Notre Dame du Lac Dormitory Refunding and Construction Bonds bearing interest at 3 percent through 2018	1,270	1,350
Mortgage notes payable, bearing interest at 3 percent through 2019	—	820
	<u>\$ 281,875</u>	<u>\$ 283,555</u>

The aggregate scheduled maturities of the bonds and notes payable for each of the five fiscal years subsequent to June 30, 2005, are as follows (in thousands): \$900 in 2006; \$940 in 2007; \$985 in 2008; \$1,025 in 2009; and \$1,070 in 2010.

The Dormitory Refunding and Construction Bonds and mortgage notes are collateralized by the facilities to which they relate. The Indiana and St. Joseph County Educational Facilities Authority Revenue Bonds represent general obligations of the University and are not collateralized by the related facilities. Unexpended proceeds of approximately \$15,000,000 from the Series 2003 St. Joseph County Educational Facilities Authority Revenue Bonds at June 30, 2004, were fully expended during the fiscal year ended June 30, 2005.

The fair value of the University's bond and note obligations approximates the aggregate carrying value at June 30, 2005 and 2004.

The University utilizes interest rate swaps as a strategy for managing interest rate risk associated with certain bond issues. Under the terms of swap arrangements that seek to effectively fix the variable rates associated with certain issues, the University pays fixed rates ranging from 3.37 percent to 4.177 percent and receives variable rates ranging from 67 percent to 70 percent of the London Interbank Offer Rate (LIBOR) on total notional amounts of \$86,700,000. A separate swap arrangement seeks to convert the fixed rate on the Series 2003 bonds to a variable rate through 2007. Under the terms of this swap, the University pays a variable rate equal to the Bond Market Association (BMA) Municipal Swap Index and receives a fixed rate of 2.35 percent on a notional amount of \$65,000,000. The estimated fair value of interest rate swaps was a net unrealized loss position of \$8,776,000 and \$2,818,000 at June 30, 2005 and 2004, respectively. The University paid periodic net settlements of \$1,664,000 and \$1,440,000 to counterparties pursuant to interest rate swaps during the years ended June 30, 2005 and 2004, respectively.

Total interest costs incurred and paid by the University were \$8,376,000 and \$8,442,000, respectively, for the year ended June 30, 2005. Interest costs incurred and paid were \$7,950,000 and \$8,130,000, respectively, for the year ended June 30, 2004.

The University maintains an unsecured line of credit in the amount of \$50 million with a major commercial bank to be used for working capital purposes. On March 21, 2005 the line of credit agreement was amended, extending the termination date to March 30, 2006. The available line of credit was entirely unused at June 30, 2005 and 2004.

NOTE 7. | PENSION AND OTHER RETIREMENT PLANS

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty and certain administrative employees who have completed one year of full-time service at the University are eligible to participate in the defined contribution retirement savings plan. Staff members participating in the plan have the option of directing their contributions and the University's contributions on their behalf to Teachers Insurance and Annuity Association, Fidelity Investments or the Vanguard Group. Participating staff are immediately vested in the plan. The University's share of the cost of these benefits was \$16,038,000 and \$15,200,000 for the years ended June 30, 2005, and 2004, respectively.

DEFINED BENEFIT PENSION PLAN

Retirement benefits are provided for other employees under a defined benefit, trustee pension plan administered by the University. This plan provides benefits for certain administrative and staff employees who have completed at least five years of service at a minimum of 1,000 hours of service each year. The University funds the plan with annual contributions that meet ERISA minimum requirements. The plan assets and their related actuarially determined benefit obligation are included in investments and pension and other postretirement benefits, respectively, on the statements of financial position as of June 30, 2005, and 2004.

At June 30, 2005 and 2004, the accumulated benefit obligation with respect to the plan exceeded the fair value of plan assets by more than the actuarially determined unrecognized prior service cost. As such, the University recognized a minimum pension liability adjustment of \$18,040,000 and \$6,870,000 at June 30, 2005 and 2004, respectively. The decrease or increase in the required minimum pension liability adjustment is reflected as a non-operating gain or loss in the statements of changes in unrestricted net assets.

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

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

	2005	2004
CHANGE IN BENEFIT OBLIGATION		
Projected benefit obligation at beginning of year	\$ 102,912	\$ 95,693
Service cost	4,567	4,626
Interest cost	5,997	5,889
Actuarial loss	17,747	333
Benefit payments	(3,687)	(3,629)
Projected benefit obligation at end of year	127,536	102,912
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	63,813	54,728
Actual return on plan assets	6,570	8,161
Employer contributions	4,069	4,553
Benefit payments	(3,687)	(3,629)
Fair value of plan assets at end of year	70,765	63,813
Funded status	(56,771)	(39,099)
Unrecognized net loss	44,426	29,235
Unrecognized prior service costs	291	384
Accrued benefit cost	(12,054)	(9,480)
Minimum pension liability adjustment	(18,040)	(6,870)
Total liability	\$ (30,094)	\$ (16,350)
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	\$ 4,567	\$ 4,626
Interest cost	5,997	5,889
Expected return on plan assets	(5,252)	(4,774)
Amortization of:		
Unrecognized net loss	1,237	1,648
Unrecognized prior service cost	92	92
Net periodic benefit cost	\$ 6,641	\$ 7,481
Accumulated benefit obligation at end of year	\$ 101,150	\$ 80,547
WEIGHTED-AVERAGE ASSUMPTIONS		
Discount rate	5.00%	6.25%
Expected long-term rate of return on plan assets	8.50%	8.50%
Rate of compensation increase	5.00%	5.00%

The projected benefit payments under the plan for each of the five fiscal years subsequent to June 30, 2005 are as follows (in thousands): \$3,846 in 2006; \$4,048 in 2007; \$4,288 in 2008; \$4,558 in 2009; and \$4,870 in 2010. Projected aggregate benefit payments under the plan for the five year period ended June 30, 2015 are \$30,969,000. The University's estimated contributions to the plan for the year subsequent to June 30, 2005 are \$5,560,000.

The assets of the defined benefit pension plan are invested in a manner that is intended to achieve a rate of return of 8.5 percent, which is the plan's assumed long-term rate of return. In order to preserve the purchasing power of the plan and provide payments to beneficiaries, a rate of return objective of inflation plus 5.0 percent is targeted.

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

Actual and targeted allocations of the plan's assets by investment category were as follows at June 30:

	2005	2004	TARGET
Short-term investments	3%	1%	0%
Equity securities	48%	53%	50%
Debt securities	25%	23%	25%
Other assets	24%	23%	25%
	100%	100%	100%

Other assets include alternative investment strategies, such as private equity and marketable alternatives.

NOTE 8. | POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The postretirement benefit plans offered by the University provide medical insurance benefits for retirees and their spouses. Employees are eligible for such benefits if they retire after attaining specified age and service requirements while employed by the University. The plans are funded as claims are paid.

During the year ended June 30, 2004, the University changed certain features of its postretirement benefit plans and amended eligibility requirements for participation in these plans. The combined effect of these amendments on the accumulated postretirement benefit obligation (APBO) was a decrease of \$17,491,000.

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

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

	2005	2004
CHANGE IN BENEFIT OBLIGATION		
Accumulated postretirement benefit obligation at beginning of year	\$ 31,984	\$ 41,836
Service cost	2,929	2,379
Interest cost	2,569	2,299
Plan amendments	—	(17,491)
Actuarial loss	22,233	4,075
Benefit payments	(1,000)	(1,114)
Accumulated postretirement benefit obligation at end of year	58,715	31,984
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	—	—
Actual return on plan assets	—	—
Employer contributions	1,000	1,114
Benefit payments	(1,000)	(1,114)
Fair value of plan assets at end of year	—	—
Funded status	(58,715)	(31,984)
Unrecognized net loss	36,656	16,231
Unrecognized prior service costs	(9,457)	(11,822)
Unrecognized net transition obligation	—	—
Accrued benefit cost	\$ (31,516)	\$ (27,575)
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	\$ 2,929	\$ 2,379
Interest cost	2,569	2,299
Expected return on plan assets	—	—
Amortization of:		
Unrecognized net loss	—	236
Unrecognized prior service cost	(2,364)	(1,182)
Unrecognized net obligation	1,808	921
Net periodic benefit cost	\$ 4,942	\$ 4,653
WEIGHTED-AVERAGE ASSUMPTIONS		
Discount rate	5.00%	6.25%
Health care cost trend rate (grading to 5.00% in 2012)	8.50%	9.00%

A one-percentage-point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO by approximately \$1,200,000 and \$10,151,000, respectively. Likewise, a one-percentage-point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately \$977,000 and \$8,661,000, respectively.

The projected postretirement benefit payments for each of the five fiscal years subsequent to June 30, 2005 are as follows (in thousands): \$1,146 in 2006; \$1,251 in 2007; \$1,386 in 2008; \$1,521 in 2009; and \$1,676 in 2010. Projected aggregate postretirement benefit payments for the five year period ended June 30, 2015 are \$11,008,000.

NOTE 9. | RESTRICTED NET ASSETS AND ENDOWMENT

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

	<u>2005</u>		<u>2004</u>
Contributions and earnings for operating purposes	\$ 58,984	\$	53,547
Contributions for the acquisition of buildings and equipment	165,062		166,682
Split-interest agreements	9,337		11,999
Funds functioning as endowment	1,206,460		957,198
	<u>\$ 1,439,843</u>	\$	<u>1,189,426</u>

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

	<u>2005</u>		<u>2004</u>
Endowment funds	\$ 818,985	\$	783,226
Student loan funds	5,313		4,701
Split-interest agreements	9,157		8,841
	<u>\$ 833,455</u>	\$	<u>796,768</u>

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

	<u>2005</u>		<u>2004</u>
Unrestricted	\$ 1,665,249	\$	1,383,030
Temporarily restricted	1,206,460		957,198
Permanently restricted	818,985		783,226
	<u>\$ 3,690,694</u>	\$	<u>3,123,454</u>

The aggregate amount of deficiencies for all donor-restricted endowment funds for which the fair value of the assets is less than the level required by donor stipulations was \$104,000 at June 30, 2005, and \$1,900,000 at June 30, 2004. These unrealized losses have been recorded as non-operating reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the level required by donor stipulations or law increases temporarily restricted net assets.

NOTE 10. | NON-OPERATING CHANGES IN UNRESTRICTED NET ASSETS

The University received a \$10,450,000 favorable settlement of litigation during the year ended June 30, 2004, which is reflected as a non-operating change in the statements of changes in unrestricted net assets.

NOTE 11. | CONTINGENCIES

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

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

REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying statements of financial position and the related statements of changes in unrestricted net assets, changes in net assets and cash flows present fairly, in all material respects, the financial position of the University of Notre Dame du Lac (the "University") at June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.



Chicago, Illinois
October 7, 2005

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