2023

ANNUAL REPORT

UNIVERSITY OF NOTRE DAME

Contents

2023 UNIVERSITY OF NOTRE DAME
Annual Report

MESSAGE FROM THE PRESIDENT

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

We are pleased to offer this report on the University of Notre Dame's finances for fiscal year 2023.

It has been a momentous year for Notre Dame. In July of 2022, we welcomed John McGreevy, a distinguished historian, as our provost. Having served previously as dean of our largest college, Provost McGreevy has brought tremendous energy and vision to his new role.

In August 2023, we released a new University-wide Strategic Framework, the result of a two-year planning process involving faculty, staff, and administrative leaders from across the University. The final version was drafted by Provost McGreevy, and it will guide Notre Dame over the next 10 years. The Framework articulates a bold vision for the University—namely, that Notre Dame must be the leading global Catholic research university, on par with but distinct from the world's best private universities. We believe our efforts to educate students and conduct research at the highest level animated by a distinctive Catholic mission is one of the most exciting and consequential experiments in global higher education.

In May of 2023, we were honored to be invited to join the Association of American Universities (AAU), a consortium of the top 71 research universities in North America. It was a recognition by the AAU board of Notre Dame's progress as a research university. The lion's share of the credit for this important milestone goes to our superb faculty, whose research continues to make a difference in our world.

For decades, among Notre Dame's greatest strengths has been its ability to maintain a disciplined strategy that ensures the long-term financial health of the institution and makes it possible for us to pursue excellence in accord with our mission. It has allowed us to weather economic downturns without major disruptions, including during the financial storms that accompanied the global pandemic. Thanks to the superb leadership of our Executive Vice President Shannon Cullinan, Vice President and Chief Investment Officer Mike Donovan, Vice President for Finance Trent Grocock, and their respective teams—as well as the vision and unfailing support of the University's Board Chair, Jack Brennan, and our Board of Trustees—the University's financials were strong in 2023.

This foundation of financial stability, coupled with the extraordinary generosity of our benefactors, made it possible for us to do even more this year to ensure that a Notre Dame education is affordable and accessible to all students. The University spent $196 million on undergraduate need-based financial aid, an increase of 40 percent over the last five years. Of this year's undergraduate class, 20 percent were either Pell-eligible or first-generation college students. It was also another noteworthy year in terms of research funding, with Notre Dame receiving $216 million in research awards.

In October, I announced that after 19 years as president, I will step down at the end of this academic year to return to teaching at Notre Dame. Serving as president of Notre Dame has been the unanticipated, undeserved, and wonderful privilege of my life. Leading any university of Notre Dame's caliber would have been a great honor, but to be president of one with such a powerful mission that resonates profoundly with my life and vocation as a priest has been much more than an honor. It has been a gift and a calling.

On December 4, the Board of Trustees elected Rev. Robert A. Dowd, C.S.C., as the 18th president of the University and my successor. I applaud the Board's election of such an excellent leader for Notre Dame. Since its founding, Notre Dame has been led by a priest-president from the Congregation of Holy Cross, the religious order to which Fr. Sorin, the University's founder, belonged. Fr. Dowd is a respected member of the academy; a global citizen; an experienced, effective, and inclusive administrator; and, just as importantly, a person of humility, compassion, and integrity. I know that Notre Dame's best years lie ahead.

STATISTICAL HIGHLIGHTS

Academic Years Ending May

	2023	2022	2021	2020	2019
Students					
Undergraduate	8,971	8,973	8,874	8,732	8,617
Graduate and professional	4,134	4,166	3,935	3,951	3,990
Total fall enrollment	13,105	13,139	12,809	12,683	12,607
Admissions					
Undergraduate					
Applications	26,509	23,642	21,253	22,200	20,371
Offers of admission	3,421	3,562	4,035	3,515	3,608
Enrolled	2,037	2,059	2,193	2,051	2,070
Selectivity	12.9%	15.1%	19.0%	15.8%	17.7%
Yield	59.5%	57.8%	54.3%	58.3%	57.4%
Graduate School [1]					
Master's level					
Applications	1,704	1,668	1,427	1,445	1,415
Offers of admission	371	325	333	330	286
Enrolled	181	194	170	216	190
Selectivity	21.8%	19.5%	23.3%	22.8%	20.2%
Yield	48.8%	59.7%	51.1%	65.5%	66.4%
Doctoral level					
Applications	4,818	4,529	4,242	3,970	3,790
Offers of admission	756	722	731	735	730
Enrolled	348	355	301	323	321
Selectivity	15.7%	15.9%	17.2%	18.5%	19.3%
Yield	46.0%	49.2%	41.2%	43.9%	44.0%
Degrees Conferred [2]					
Baccalaureate	2,249	2,163	2,209	2,223	2,080
Master's (includes MBA)	1,205	1,288	1,047	1,160	1,129
Juris Doctorate	165	211	183	201	192
Doctorate-Research	272	287	239	239	242
Total degrees conferred	3,891	3,949	3,678	3,823	3,643
Undergraduate Tuition Rate	$ 59,794	$ 58,336	$ 57,192	$ 55,046	$ 52,884
Percent increase over prior year	2.5%	2.0%	3.9%	4.1%	3.7%

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

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

SHANNON B. CULLINAN

This annual financial report provides important insights into the fiscal health and operations of the University, but it cannot tell the whole story. The past year brought a series of exciting milestones for Notre Dame, each one reinforcing the notion that our financial results matter only insofar as they advance our mission and nurture the ambitions of this community.

First, our admission into the Association of American Universities (AAU) was a resounding affirmation of our research success. The release of *Notre Dame 2033*—our most collaborative planning process ever—launched an exhilarating new phase in the University's evolution. This strategic framework is the first to include the words "South Bend, Indiana." The symbiotic relationship between Notre Dame and the surrounding region has grown more entwined and fruitful, to the benefit of all. What's more, at a moment when public trust in higher education is regrettably low, it is no small thing that new survey data point to Notre Dame as among the "most trusted" universities in the nation.

Of course, our students must always be counted among our greatest assets. Their formation as thinkers and doers who will lead us bravely into the future is at the heart of our mission. Fittingly, they are more diverse and globally minded than ever before, which is underscored by the fact that 70% of undergraduates now have a study-abroad experience during their time at Notre Dame.

Each of these milestones speaks to the singular position Notre Dame holds in American higher education. As described in *Notre Dame 2033*, the University's mission compels us to lean into and lead on some of the greatest challenges facing our world, including poverty, political polarization, mental health, and climate change.

While our path forward is clear, it is not without obstacles. The past 12 months have seen one of the fastest Fed interest rate hikes—to 5.25%—in memory. All indications point to higher rates being with us for some time. Inflation is now below 4%, down from 8.5% at the onset of 2023; yet unpredictability persists, and rates may rise again.

Market volatility has impacted our endowment considerably; 2022 was the first calendar year in four decades in which both the stock and bond markets were down in excess of 10%, taking a toll on most portfolios. Here I must thank our investment team for so skillfully navigating rough waters while maintaining our mission-aligned fiscal policies.

Despite these challenges, net assets increased by $106 million. We awarded $403 million in scholarships and fellowships, with the largest portion coming from our endowment. A full 50% of first-year students received need-based aid, with an average award exceeding $48,000. While our endowment returned a modest 1.3%, our 5-10-20–year returns remain above 10%. Exceptional performances in recent years made possible a 10% increase in endowment payout, the highest since 2008–09.

We were also able to thank faculty and staff with substantial merit increases, enhancing our ability to attract and retain top talent. Once again, our exceedingly generous alumni, parents, and friends set a record for annual giving, with $143 million in expendable gifts.

Nevertheless, we must stay attuned to the financial headwinds, including the prospect of sustained higher interest rates and borrowing costs, as well as muted endowment returns. While the endowment is our largest source of operating revenue, the majority is restricted and cannot be reallocated to meet emerging needs. Maintaining a healthy balance sheet requires planning for the possibility of a downturn. Continued vigilance with respect to the responsible deployment of resources must be part of this plan, and I wish to thank the faculty, staff, and students who have proven true partners in this regard.

No one has been a more faithful steward of Notre Dame than Fr. John Jenkins, who recently announced his plans to step down from the presidency at the end of the 2023–24 academic year. His humble and courageous leadership has brought us gracefully through dark and uncertain times. In his extraordinary commitment to his role as priest-president, Fr. John has shown us that to be a "force for good" is not merely a catchphrase, but a guidepost—a reminder that we are called to do more, that belonging to the Notre Dame family is both a gift *and* a responsibility. He has left a lasting imprint on this University and on all who have been blessed to work alongside him.

Shannon Cullinan

FINANCIAL OVERVIEW

Notre Dame continued to operate from a position of financial strength during the fiscal year ended June 30, 2023. Overall operating margins remain very strong despite rising costs in an inflationary environment. An increase in overall net assets of $106 million, a solid position with respect to liquidity, and a Aaa debt rating—which only a handful of private institutions can claim—continue to demonstrate a strong balance sheet.

Although the Notre Dame Endowment Pool posted a modest return, it remains a bedrock source of reliable funding for the University's mission, evidenced by 2023's planned growth in endowment payout.

Once again, the generosity of University benefactors contributed greatly to strong financials; positive philanthropic trends endured, especially in terms of total production. *For Good*, the University's new fundraising initiative, launched its inaugural year to enthusiastic donor support for key priorities including undergraduate financial aid, research, and Catholic character.

The growth of Notre Dame's research agenda—and another exceptional period of research funding—was one of 2023's most notable stories, as Notre Dame was welcomed into the Association of American Universities (AAU).

OPERATING REVENUES

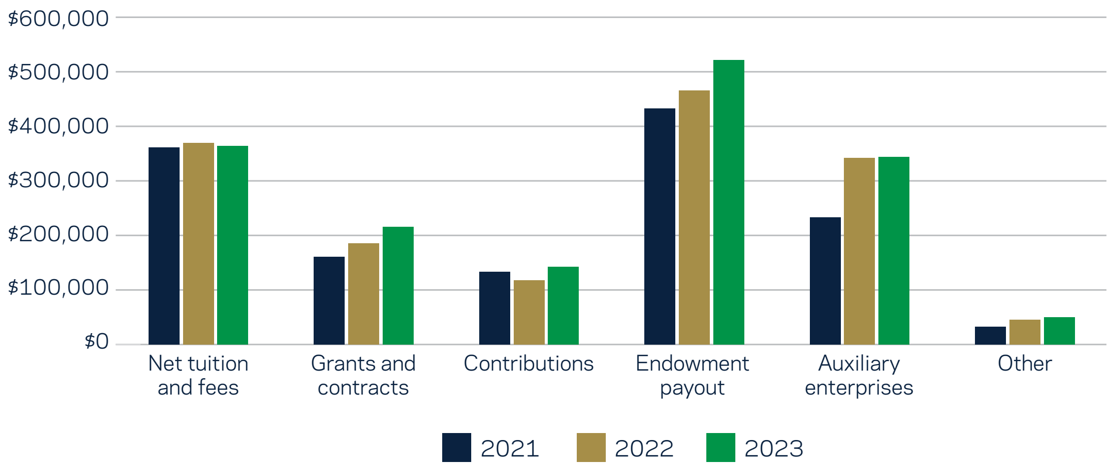
Overall operating revenues increased $113 million over 2022, driven primarily by a planned 10% increase in endowment payout rates. The level of payout increases over the past two years is partly in response to historic investment returns in 2021, as the University seeks to balance the commitment to protecting and preserving the purchasing power of the endowment in perpetuity while providing support for operational needs in the near term.

Notre Dame has long been committed to meeting the full demonstrated financial need of all undergraduates. In all but one of the past 15 years, the rate of growth in financial aid has exceeded the annual increase in tuition. Of note, net tuition, reflecting discounts granted in the forms of scholarships and fellowships, *decreased* year-over-year. This underscores the extent to which endowment payout, particularly the most significant individual portion supporting financial aid, has mitigated pressure on tuition rates. Tuition rate increases over the past three years have averaged less than 3% annually, well below the rate of inflation over the same period.

The 16% increase in grant revenues reflected the utilization of recent award volumes. Awards exceeded $200 million in each of the past three fiscal years, providing a pipeline of support for research and other sponsored programs. Revenues are recognized as the associated sponsored activities are performed.

Contributions for operations were up given continued strong philanthropic support for the Annual Fund and annual giving societies. Revenues from auxiliary sources, which include room and board as well as intercollegiate athletics, remained comparable to the year prior, though the revenue mix shifted. Modest increases in hospitality and licensing revenues were offset by a decrease in event management revenues.

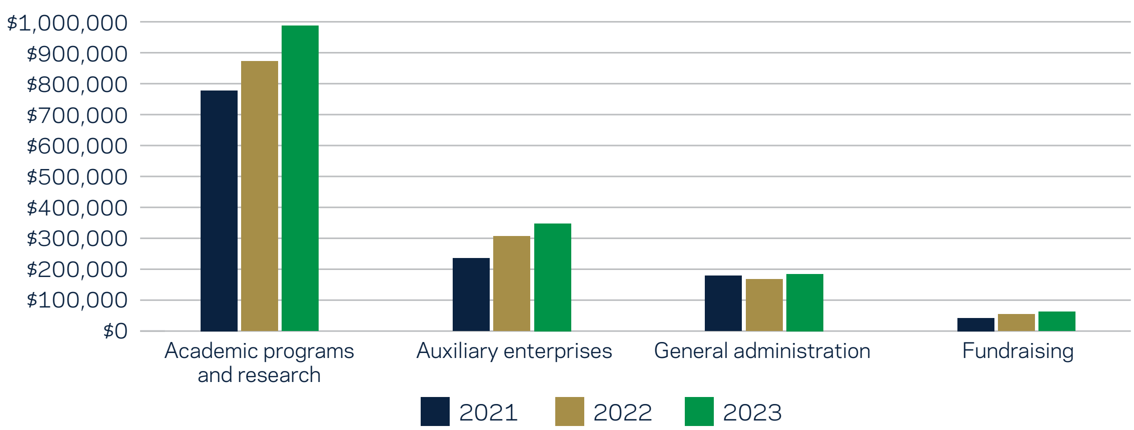
Chart 1–Operating Revenues by Source (in thousands)



OPERATING EXPENSES

The University's first fully normalized year of operations since the pandemic—including the return of a full summer session, auxiliary operations, and international programs—contributed to the increase in operating expenses in fiscal 2023. General inflationary pressures were felt across a range of costs. The relative distribution of expenses by functional category was consistent with 2022, as expenses within each category rose in similar proportion, as illustrated in *Chart 2*:

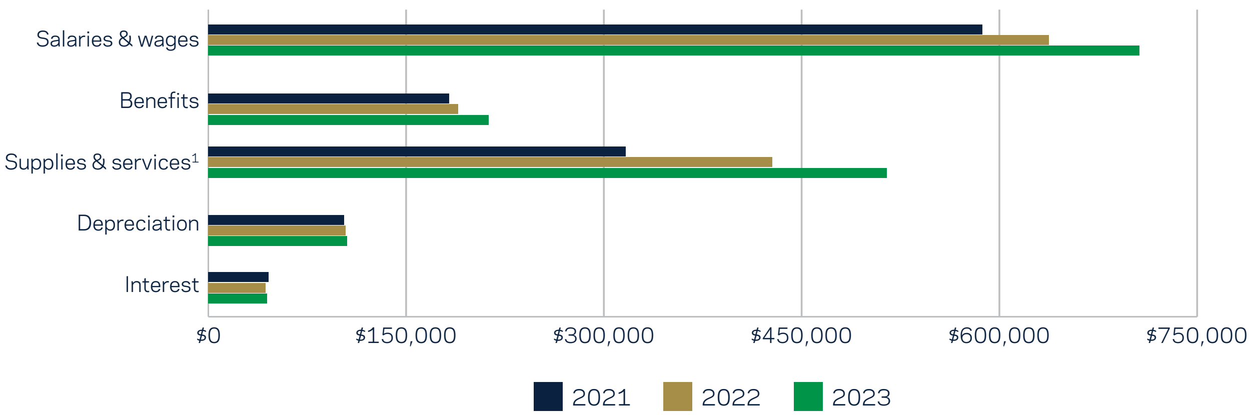
Chart 2–Operating Expenses by Function (in thousands)



The uptick in compensation and benefits, as reflected in *Chart 3*, totaled $92 million. Notre Dame was not immune to the staffing challenges presented by a tight and competitive labor market. Annual merit increases along with a market-based inflationary compensation adjustment were employed to attract and retain talent while also rewarding exemplary work by faculty and staff across the University. These compensation adjustments and a return to fuller employment levels each contributed to the overall rise in costs.

The return to a full scope of operations brought an associated rise in spending within the supplies and services category, for a total increase of $87 million. Travel costs contributed to the increase, a reflection of inflation as well as a full return of international programs. Other factors driving the increase include non-capitalized project and equipment costs associated with new infrastructure projects and payments to grant subrecipients (i.e., parties outside the University who are conducting portions of research or providing data or materials) commensurate with the growth in research activity. Note, subrecipient activity is but one aspect of growth in research-related supplies and services expenses. More broadly, research-related supplies and services have grown at more than twice the annualized rate of all other supplies and services over the past five years, underscoring the strategic impact of research growth over this period.

Chart 3–Operating Expenses by Natural Classification (in thousands)



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

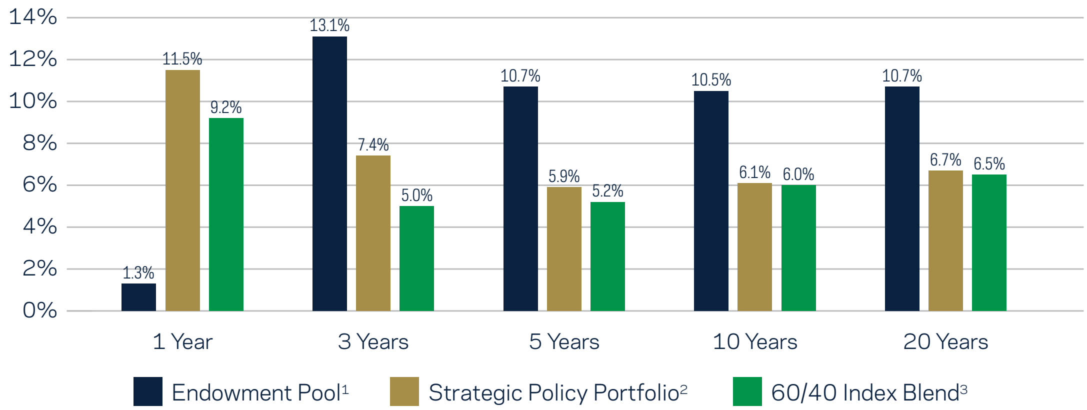
Depreciation expense rose only slightly given the relatively low levels of capital assets added in the past three years. Interest costs were also flat, as the University's long-term debt levels, which are primarily at fixed rates, remained consistent.

INVESTMENT REVIEW

The Endowment Pool returned 1.32% for fiscal 2023. A rebound in the public equity markets was offset by a reduction in private equity valuations, particularly venture capital. Despite modest gains, investment returns again contributed substantially to the overall change in net assets, given the proportion of the University's assets held in the Endowment Pool.

The Endowment Pool has a long-term investment horizon which aligns with the goal to provide funding for the University's mission in perpetuity. Performance is measured against a variety of benchmarks over short- and longer-term periods. The Endowment Pool's large weighting to private equity, including venture capital, led to underperformance relative to these benchmarks in fiscal 2023. The benchmarks are composed of public market indices, which can have a low correlation to private market returns in short-term periods. Despite the short-term disconnect between our private equity portfolio and the public equity benchmarks, our private equity portfolio has been the primary source of outperformance over the long term, as illustrated in *Chart 4*.

Chart 4–Endowment Pool Investment Performance (annualized returns)



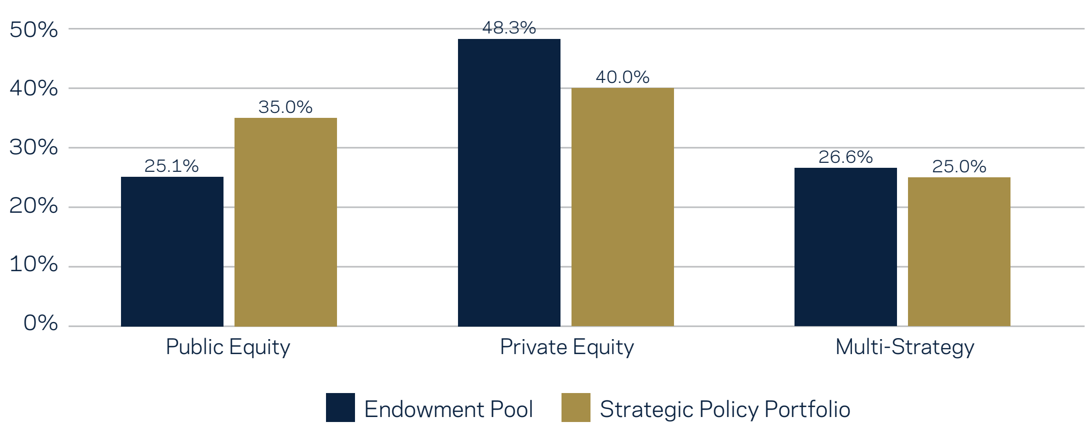
[1]Investment returns are net of investment managers' fees.

[2]The Strategic Policy Portfolio ("SPP") is Notre Dame's internal benchmark relative to the target investment portfolio. The SPP is composed mainly of public market indices. The Endowment Pool is composed of over 50% private assets, mainly private equity. As such, there can be a low correlation between the SPP and Endowment in short term periods.

[3]A 60/40 index blend of stocks/bonds as represented by the MSCI All Country World Investable Index and the Barclays Capital U.S. Aggregate Bond Index.

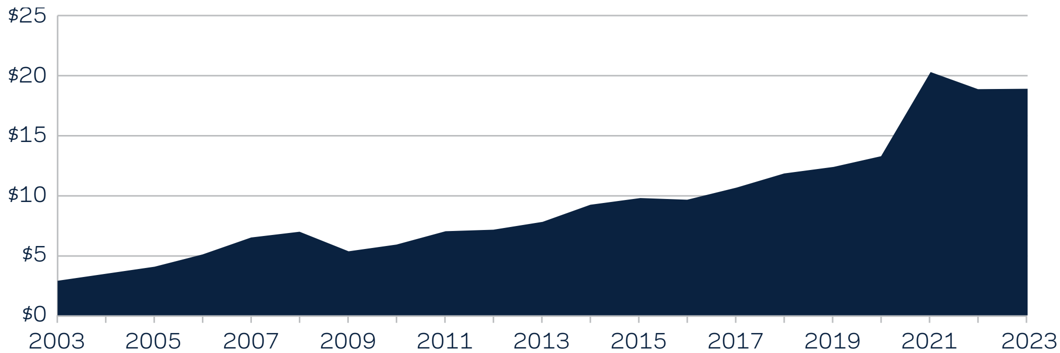
The Endowment Pool portfolio targets an asset allocation focused on long-term capital appreciation, while remaining highly diversified across strategies, sectors, and geography. Public and private equities provide growth opportunity to hedge against inflation and maintain endowment purchasing power. The multi-strategy portfolio includes fixed income assets to promote income stability and other diversifiers with return prospects less correlated to equity markets. Allocations relative to the Strategic Policy Portfolio targets, as illustrated in *Chart 5*, reflect tactical decisions and fluctuations in market valuations.

Chart 5–Endowment Pool Asset Allocation as of June 30, 2023



The year-end market value of $18.9 billion, excluding assets held on behalf of religious affiliates, is the result of modest investment returns for the year and inflows to the Endowment Pool less endowment payout.

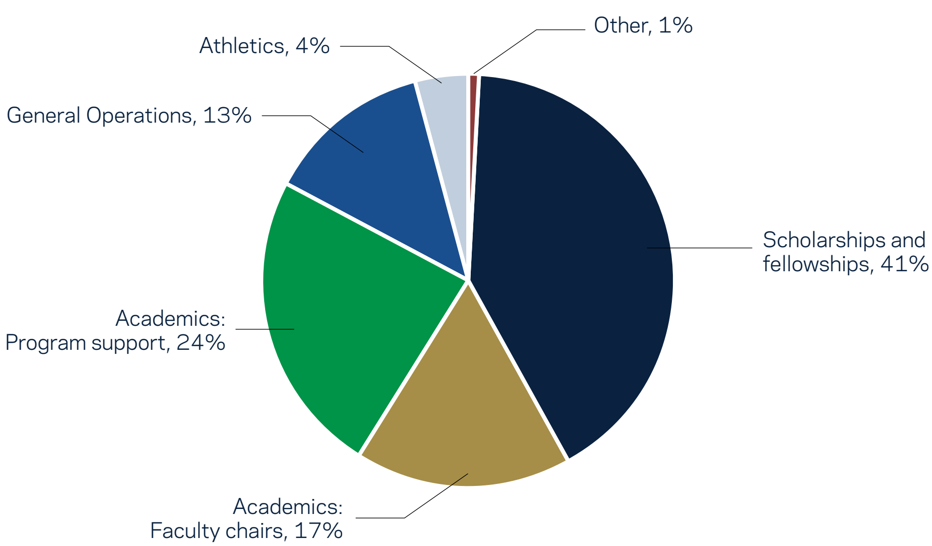
Chart 6–Endowment Pool[1] Market Value (in billions)



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

A total of $559 million in endowment payout was distributed for spending during fiscal 2023, reflecting a planned 10% payout increase over the prior year along with new endowments placed on spending. As evident in *Chart 1*, annual payout from endowment constitutes the University's largest individual source of operating revenues. Growth in endowment payout mitigates pressure on tuition rates and provides a key source of funding for financial aid and other programs. However, given that nearly two-thirds of endowment payout carries a donor restriction that limits its use to a specific programmatic purpose, tuition revenue remains an important source of *flexible* operating revenue.

Chart 7–2023 Endowment Payout for Operations



Endowment payout directly supporting scholarships and fellowships—essential for maintaining our twin policies of need-blind admissions and meeting the full demonstrated need of all undergraduates—totaled $216 million in 2023.

Despite the volume of direct endowment support for financial aid, approximately one-third of the $403 million in total scholarships and fellowships awarded during fiscal 2023 was covered by allocations from the University's general operating budget. Thus, the 13% portion of endowment payout designated for general operations illustrated in *Chart 7* also contributed to maintaining the University's exceptional commitment to student financial assistance.

RESEARCH AND SPONSORED PROGRAMS

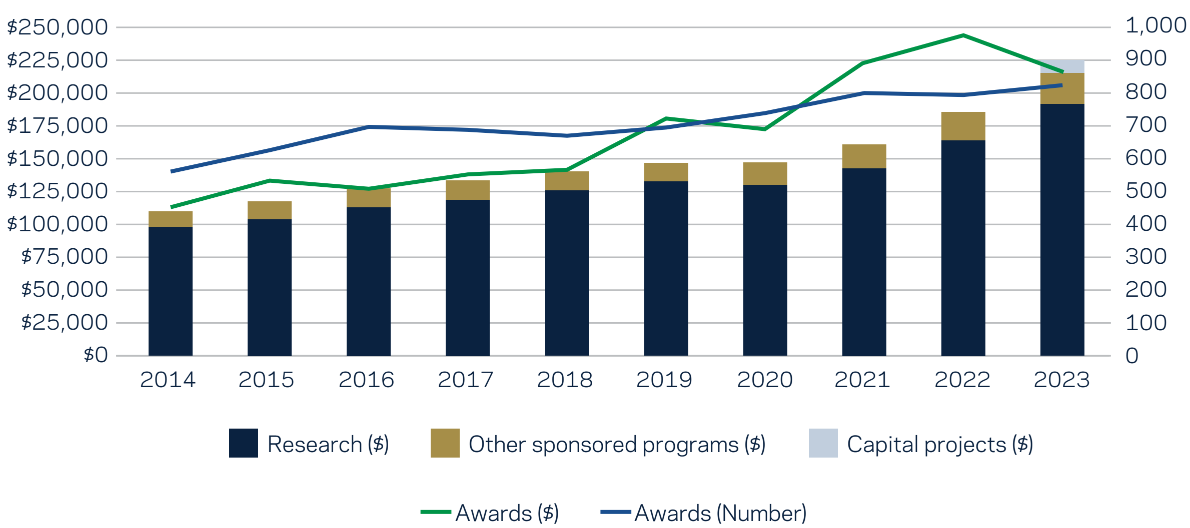
Notre Dame's ascent as the leading global Catholic research university continued unabated in 2023. For the third straight year, the University surpassed $200 million in research awards, ensuring the pipeline of new funding will remain robust for the foreseeable future. The nearly $216 million in research funding included 824 separate awards, the largest such number in University history.

The greatest portion of this funding came from federal agencies. The largest single sponsor was the National Science Foundation, with $42.5 million in sponsored awards. Other significant sponsors include the Department of Defense ($35.8 million), the Department of Health and Human Services ($32.2 million), the Department of Energy ($16.7 million), and the Department of Education ($11.0 million).

The announcement in June that Notre Dame had been selected for inclusion in the AAU, a consortium of the nation's leading public and private research-intensive universities, marked a major milestone and recognized the University's breadth and quality of research programs.

All of this comes as Notre Dame released its new strategic framework in August 2023, the result of a years-long planning process on the part of administrators, faculty, and staff. The document identified the University's research agenda as one of its foremost priorities for growth and impact over the coming decade.

Chart 8–Grants and Contracts Revenues and Awards ($ in thousands)



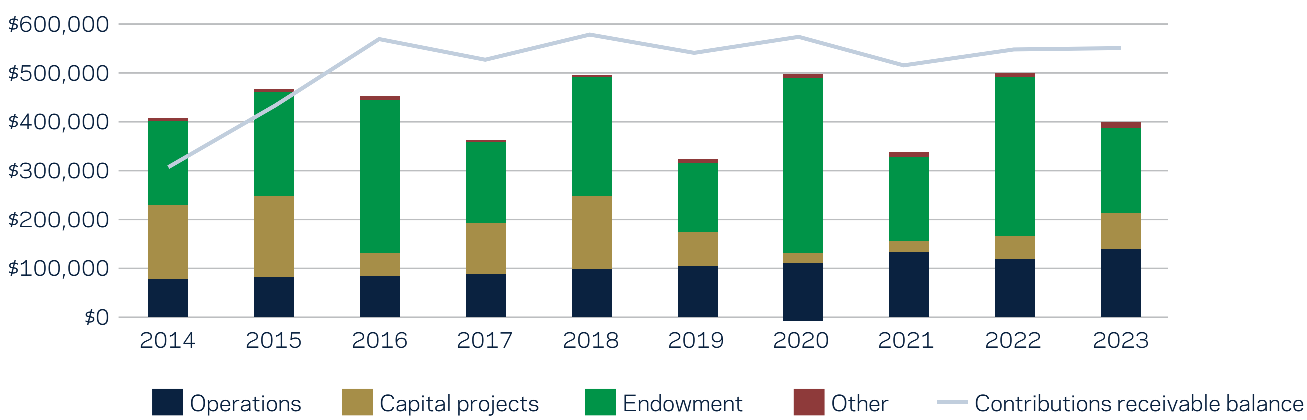
PHILANTHROPY

Notre Dame again garnered the support of its exceptionally generous alumni, parents, and friends, whose philanthropy has played an outsized role in shaping the University. More than $400 million in donations were received during fiscal 2023, including gifts from foundations and other organizations.

Annual giving in support of operations remained strong and steady, with $143 million in expendable gifts received during 2023. Non-operating contributions (i.e., capital projects, endowment, and other) were also quite healthy, though the mix and volume are more variable from year to year.

Fiscal 2023 marked the inaugural year of the University's newest fundraising initiative, *For Good*. The multi-year initiative will provide foundational support for the recently launched strategic framework, *Notre Dame 2033*. Central to the initiative's fundraising objectives is support for undergraduate financial aid, once again demonstrating Notre Dame's ongoing commitment to building classes of diverse, talented students regardless of their socioeconomic background.

Chart 9–GAAP-Basis Contributions and Contributions Receivable (in thousands)

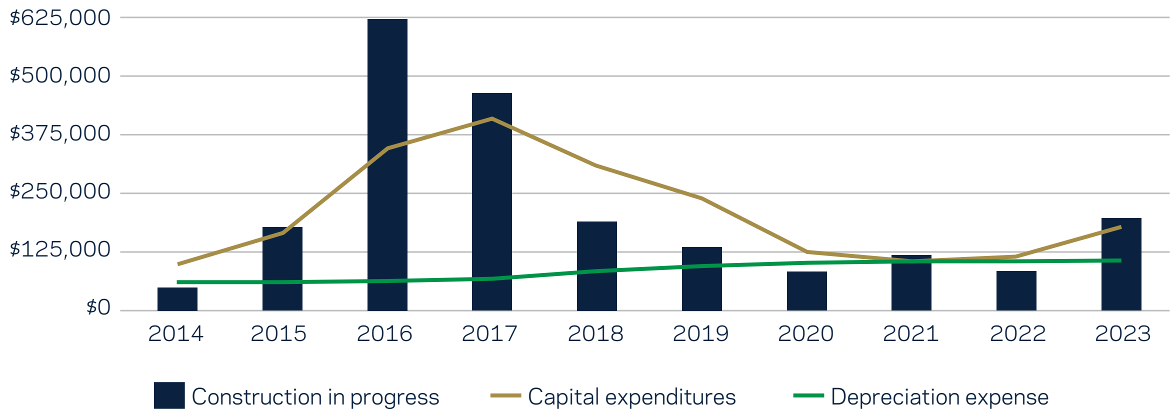


CAMPUS FACILITIES

The University returned to more historically typical levels of investment in its facilities during 2023, as construction spending increased to nearly $180 million, which is in line with the master plan governing the development of the physical campus.

By the close of the fiscal year, a variety of projects were active, contributing to the significant rise in construction in progress seen in *Chart 10*. Among these projects is the new Raclin Murphy Museum of Art, which figures prominently along North Eddy Street on the welcoming edge of campus. The design of the 70,000-square-foot building was influenced by some of the nation's most prominent university art museums. The addition of a second major facility in the East Campus Research Complex, which commenced during the summer of 2022, will roughly double the space available in the complex and transform the University's capacity for growth of interdisciplinary research. The 200,000-square-foot building will connect to the original McCourtney Hall of Molecular Science and Engineering. A new 260-bed men's residence hall on the East Quad, very near the growing Research Complex, was also started this past fiscal year.

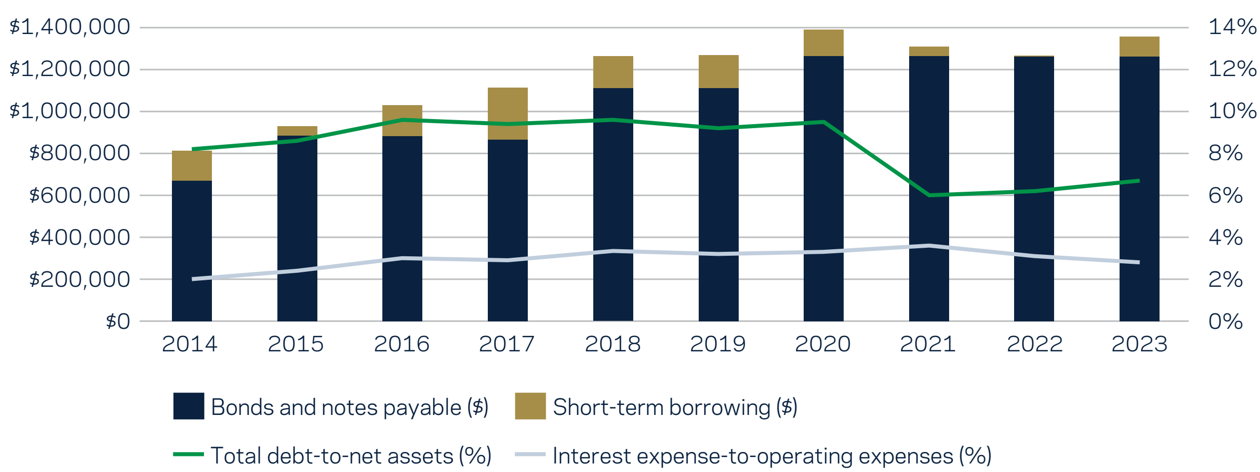
Chart 10–Construction in Progress, Capital Expenditures, and Depreciation (in thousands)



LIQUIDITY AND FINANCING

The University has not issued any new long-term debt since 2020, and continues to actively manage short-term borrowing capacity to optimize liquidity needs. Short-term borrowing capacity was reduced from $775 million to $650 million as operations normalized in 2023. Despite the dramatic rise in interest rates during the past two years, borrowing costs remained steady given the fixed rate nature of Notre Dame's long-term debt. Rising rates, however, continued to drive positive changes in the market value of the University's forward-starting swaps that locked in fixed rates in anticipation of future bond issues, resulting in a $28 million non-operating market-to-market gain.

Chart 11–Total Debt ($ in thousands) with Selected Ratios (%)



The strength of the University's financial stewardship is underscored by its Aaa credit rating, which has translated to historically low fixed rates on its outstanding debt. Though the University's total debt has grown over the past decade, the cost of financing as a percentage of operating expenses has remained relatively consistent. The lower ratio of debt to net assets over the past three years reflects the historic return on investments experienced in 2021.

Consolidated Financial Statements

Report of Independent Auditors

To the Board of Trustees of the University of Notre Dame du Lac

Opinion

We have audited the accompanying consolidated financial statements of the University of Notre Dame du Lac and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of changes in net assets, of functional expenses and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chicago, Illinois

November 7, 2023

Consolidated Statements of Financial Position

(in thousands)

	As of June 30 2023	2022
Assets		
Cash and cash equivalents	$ 68,434	$ 104,938
Accounts receivable, net (*Note 3*)	86,620	76,628
Deferred charges and other assets (*Note 4*)	190,823	158,733
Contributions receivable, net (*Note 5*)	553,124	550,462
Notes receivable, net (*Note 6*)	15,774	16,522
Investments (*Note 7*)	21,209,143	21,133,580
Land, buildings, and equipment, net of accumulated depreciation (*Note 8*)	2,638,607	2,558,678
TOTAL ASSETS	$ 24,762,525	$ 24,599,541
Liabilities		
Accounts payable	$ 59,360	$ 48,506
Short-term borrowing (*Note 9*)	95,295	4,000
Deferred revenue and refundable advances (*Note 10*)	222,660	221,456
Deposits and other liabilities (*Note 11*)	301,896	303,042
Liabilities associated with investments (*Note 7*)	2,209,105	2,232,999
Obligations under split-interest agreements (*Note 17*)	305,221	307,406
Bonds and notes payable (*Note 12*)	1,262,308	1,263,512
Pension and other postretirement benefit obligations (*Note 14*)	55,827	73,945
TOTAL LIABILITIES	4,511,672	4,454,866
Net Assets		
Without donor restrictions (*Note 15*)	9,390,650	9,279,548
With donor restrictions (*Note 15*)	10,860,203	10,865,127
TOTAL NET ASSETS	20,250,853	20,144,675
TOTAL LIABILITIES AND NET ASSETS	$ 24,762,525	$ 24,599,541

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
			Years ended June 30	
Operating Revenues and Other Additions				
Net tuition and fees (*Note 18*)	$ 363,684	$ -	$ 363,684	$ 369,306
Grants and contracts (*Note 19*)	215,491	-	215,491	185,539
Contributions	64,315	78,485	142,800	117,713
Endowment payout (*Note 16*)	178,551	343,318	521,869	465,803
Sales and services of auxiliary enterprises (*Note 20*)	344,280	-	344,280	341,758
Other sources	49,756	-	49,756	44,731
TOTAL OPERATING REVENUES	1,216,077	421,803	1,637,880	1,524,850
Net assets released from restrictions (*Note 15*)	391,897	(391,897)	-	-
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,607,974	29,906	1,637,880	1,524,850
Operating Expenses	(1,582,615)	-	(1,582,615)	(1,402,215)
INCREASE IN NET ASSETS FROM OPERATIONS	25,359	29,906	55,265	122,635
Non-Operating Changes in Net Assets				
Grants for capital projects (*Note 19*)	8,419	-	8,419	-
Contributions	22,752	234,873	257,625	381,676
Investment return (*Note 7*)	151,571	106,990	258,561	(1,413,138)
Endowment payout (*Note 16*)	(178,551)	(343,318)	(521,869)	(465,803)
Gain on debt-related derivatives (*Note 13*)	27,551	-	27,551	50,762
Net assets released from restrictions (*Note 15*)	36,779	(36,779)	-	-
Postretirement benefits-related changes (*Note 14*):				
Net periodic benefit costs	2,006	-	2,006	429
Other changes	13,715	-	13,715	35,329
Change in value of split-interest agreements (*Note 17*)	(228)	8,154	7,926	(39,744)
Other non-operating changes	1,729	(4,750)	(3,021)	(6,048)
INCREASE/(DECREASE) IN NET ASSETS FROM NON-OPERATING ACTIVITIES	85,743	(34,830)	50,913	(1,456,537)
INCREASE/(DECREASE) IN NET ASSETS	111,102	(4,924)	106,178	(1,333,902)
NET ASSETS BEGINNING OF YEAR	9,279,548	10,865,127	20,144,675	21,478,577
NET ASSETS END OF YEAR	$ 9,390,650	$ 10,860,203	$ 20,250,853	$ 20,144,675

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)

	Without donor restrictions	With donor restrictions	Year ended June 30 **2022** Total
Operating Revenues and Other Additions			
Net tuition and fees (*Note 18*)	$ 369,306	$ -	$ 369,306
Grants and contracts (*Note 19*)	185,539	-	185,539
Contributions	56,793	60,920	117,713
Endowment payout (*Note 16*)	161,022	304,781	465,803
Sales and services of auxiliary enterprises (*Note 20*)	341,758	-	341,758
Other sources	44,731	-	44,731
TOTAL OPERATING REVENUES	1,159,149	365,701	1,524,850
Net assets released from restrictions (*Note 15*)	339,463	(339,463)	-
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,498,612	26,238	1,524,850
Operating Expenses	(1,402,215)	-	(1,402,215)
INCREASE IN NET ASSETS FROM OPERATIONS	96,397	26,238	122,635
Non-Operating Changes in Net Assets			
Contributions	41,611	340,065	381,676
Investment return (*Note 7*)	(658,361)	(754,777)	(1,413,138)
Endowment payout (*Note 16*)	(161,022)	(304,781)	(465,803)
Gain on debt-related derivatives (*Note 13*)	50,762	-	50,762
Net assets released from restrictions (*Note 15*)	98,886	(98,886)	-
Postretirement benefits-related changes (*Note 14*):			
Net periodic benefit costs	429	-	429
Other changes	35,329	-	35,329
Change in value of split-interest agreements (*Note 17*)	5	(39,749)	(39,744)
Other non-operating changes	19,294	(25,342)	(6,048)
DECREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(573,067)	(883,470)	(1,456,537)
DECREASE IN NET ASSETS	(476,670)	(857,232)	(1,333,902)
NET ASSETS BEGINNING OF YEAR	9,756,218	11,722,359	21,478,577
NET ASSETS END OF YEAR	$ 9,279,548	$ 10,865,127	$ 20,144,675

See accompanying notes to consolidated financial statements.

Consolidated Statements of Functional Expenses

(in thousands)

	Salaries & wages	Benefits	Supplies & services	Depreciation (Note 8)	Interest	Year ended June 30 **2023** Total
Operating Expenses						
Academic programs and research	$ 474,096	$ 131,461	$ 297,091	$ 56,994	$ 27,960	$ 987,602
Auxiliary enterprises	120,018	39,398	136,392	42,722	9,204	347,734
General administration	78,736	30,432	64,757	5,318	5,327	184,570
Fundraising	33,263	11,326	15,982	225	1,913	62,709
TOTAL OPERATING EXPENSES	706,113	212,617	514,222	105,259	44,404	1,582,615
Non-Operating Expenses						
Net periodic benefit costs (*Note 14*)	-	(2,006)	-	-	-	(2,006)
Expenses of consolidated company	-	-	8,548	2,678	1,645	12,871
TOTAL EXPENSES	$ 706,113	$ 210,611	$ 522,770	$ 107,937	$ 46,049	$ 1,593,480

	Salaries & wages	Benefits	Supplies & services	Depreciation (Note 8)	Interest	Year ended June 30 **2022** Total
Operating Expenses						
Academic programs and research	$ 439,443	$ 121,218	$ 229,301	$ 55,858	$ 26,930	$ 872,750
Auxiliary enterprises	98,782	33,841	123,622	42,297	8,974	307,516
General administration	69,188	25,236	61,407	5,858	5,763	167,452
Fundraising	29,766	9,306	13,366	224	1,835	54,497
TOTAL OPERATING EXPENSES	637,179	189,601	427,696	104,237	43,502	1,402,215
Non-Operating Expenses						
Net periodic benefit costs (*Note 14*)	-	(429)	-	-	-	(429)
Expenses of consolidated company	-	-	7,835	2,619	1,690	12,144
TOTAL EXPENSES	$ 637,179	$ 189,172	$ 435,531	$ 106,856	$ 45,192	$ 1,413,930

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

	Years ended June 30 2023	2022
Cash Flows from Operating Activities		
Increase/(decrease) in net assets	$ 106,178	$ (1,333,902)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net (gain)/loss on investments	(64,298)	1,502,226
Contributions for long-term investment	(212,001)	(236,323)
Contributed securities	(72,569)	(120,521)
Proceeds from sales of securities contributed for operations	13,501	10,573
Depreciation	107,937	106,856
Discounts recognized on split-interest contributions	28,711	17,227
Change in contributions receivable	(2,662)	(34,988)
Change in value of split-interest agreements	(7,926)	39,744
Change in pension and other postretirement benefit obligations	(18,118)	(30,273)
Changes in accounts receivable and deferred charges and other assets	(42,082)	(49,791)
Changes in accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	1,676	6,719
Other, net	25,595	17,340
NET CASH USED BY OPERATING ACTIVITIES	(136,058)	(105,113)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	13,010,918	14,047,573
Purchases of investments	(13,066,396)	(14,087,516)
Purchases of land, buildings, and equipment	(179,505)	(115,043)
Student and other loans granted	(2,195)	(2,375)
Student and other loans repaid	3,221	4,770
NET CASH USED BY INVESTING ACTIVITIES	(233,957)	(152,591)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	10,351	7,536
Contributions for long-term investment	212,001	236,323
Proceeds from sales of securities contributed for long-term investment	58,468	109,948
Proceeds from short-term borrowing	814,372	293,269
Repayment of short-term borrowing	(723,077)	(332,272)
Payments to beneficiaries of split-interest agreements	(27,312)	(24,849)
Repayment of bonds and notes	(1,204)	(1,064)
Collateral received pursuant to debt-related derivatives	277,450	75,540
Collateral returned pursuant to debt-related derivatives	(257,460)	(54,620)
Return of government advances for student loans	(2,933)	(3,376)
Cash accepted for investment on behalf of religious affiliates	21,542	26,093
Cash returned to religious affiliates	(28,697)	(96,997)
NET CASH PROVIDED BY FINANCING ACTIVITIES	353,501	235,531
NET DECREASE IN CASH BALANCES	(16,514)	(22,173)
CASH BALANCES AT BEGINNING OF YEAR	125,858	148,031
CASH BALANCES AT END OF YEAR	$ 109,344	$ 125,858
Cash balances reflected in the consolidated statements of financial position:		
Cash and cash equivalents	$ 68,434	$ 104,938
Deferred charges and other assets	40,910	20,920
	$ 109,344	$ 125,858
Supplemental Data		
Interest paid	$ 46,192	$ 45,196

See accompanying notes to consolidated financial statements.

(All amounts in thousands)

NOTE 1.
Summary of Significant Accounting Policies

BASIS OF PRESENTATION

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

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

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

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

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

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

(All amounts in thousands)

NET TUITION AND FEES

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

Tuition scholarships and fellowships

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

GRANTS AND CONTRACTS

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

AUXILIARY ENTERPRISES

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

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

CASH AND CASH EQUIVALENTS

Resources invested in money market funds and other short-term investments with maturities at the 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. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation limits.

ACCOUNTS RECEIVABLE

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

CONTRIBUTIONS RECEIVABLE

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

(All amounts in thousands)

NOTES RECEIVABLE

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

LEASES

The University leases space and equipment for academic and administrative purposes under noncancelable operating leases. Right-of-use assets and liabilities reported in the consolidated statements of financial position are initially recognized at the present value of future minimum lease payments, which are discounted at an incremental borrowing rate appropriate to the duration of the lease term. Options to extend a lease are reflected in these amounts if and when it becomes reasonably certain the University will exercise such options. Right-of-use assets and lease liabilities are reported in the consolidated statements of financial position within the *deferred charges and other assets* and *deposits and other liabilities* lines, respectively.

The University has elected to exclude leases with an initial term of 12 months or less from the amounts reported in the consolidated statements of financial position.

INVESTMENTS

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

Investments Held on Behalf of Other Entities

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

DEBT-RELATED DERIVATIVES

The University utilizes derivatives in a limited manner outside of its investment portfolio. As described in *Note 13*, interest rate swap agreements are used to manage interest rate risk associated with future anticipated bond obligations. These swaps are reported in the consolidated statements of financial position at fair value. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. Any gains or losses resulting from changes in the fair value of these swaps or periodic net cash settlements with counterparties, including settlements related to their termination of such agreements, are recognized as non-operating changes in net assets without donor restrictions. Periodic settlements and collateral-related cash flows associated with these swaps are classified as financing activities in the consolidated statements of cash flows.

LAND, BUILDINGS, AND EQUIPMENT

Institutional properties are stated at cost or 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.

(All amounts in thousands)

Conditional Asset Retirement Obligations

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

SPLIT-INTEREST AGREEMENTS

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

USE OF ESTIMATES

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

TAX STATUS

The University is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except to the extent the University generates unrelated business income. The University is also subject to excise taxes on net investment income and executive compensation.

RECLASSIFICATIONS

Certain fiscal 2022 amounts within the consolidated financial statements have been reclassified to conform to the 2023 presentation.

(All amounts in thousands)

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 7, 2023, the date the financial statements were issued. No events requiring disclosure were identified.

NOTE 2.
Financial Assets and Liquidity Resources

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

	2023	2022
Cash and cash equivalents	$ 68,434	$ 104,938
Accounts receivable, net (*Note 3*)	86,620	76,628
Contributions receivable, net (*Note 5*)	102,227	77,124
Notes receivable (*Note 6*)	2,249	2,749
Investments approved for appropriation in the subsequent year	604,746	554,787
Total financial assets available within one year	864,276	816,226
Undrawn lines of credit (*Note 9*)	450,000	346,000
Unissued commercial paper (*Note 9*)	354,705	400,000
Total financial assets and liquidity resources available within one year	$ 1,668,981	$ 1,562,226

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

As reflected in *Note 7*, the University held more than $5.2 billion in investment assets at June 30, 2023, that were measured using Level 1 and Level 2 fair value inputs. Although these assets are generally liquid within the near term, they are only considered available for expenditure to the extent they are designated as short-term working capital investments or approved for appropriation during the annual budget process under the University's endowment spending policy. Investments approved for appropriation in the subsequent year are calculated based on a board-approved spending rate. The University also has the ability to make additional one-time appropriations from working capital and endowment funds without donor restrictions to the extent that there are sufficient liquid investment assets.

NOTE 3.
Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	2023	2022
Research and other sponsored programs support	$ 36,776	$ 37,191
Rights and royalties receivable	26,527	16,516
Other receivables	24,348	23,728
	87,651	77,435
Less allowances for uncollectible amounts	1,031	807
	$ 86,620	$ 76,628

(All amounts in thousands)

NOTE 4.
Deferred Charges and Other Assets

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

	2023	2022
Debt-related derivatives (*Note 13*)	$ 73,928	$ 60,148
Collateral on debt-related derivatives (*Note 13*)	40,910	20,920
Operating lease right-of-use assets	35,562	33,528
Prepaid expenses	23,641	20,390
Beneficial interests in perpetual trusts	5,518	5,343
Retail and other inventories	4,712	5,253
Goodwill	-	6,455
Other deferred charges	6,552	6,696
	$ 190,823	$ 158,733

NOTE 5.
Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2023	2022
Unconditional promises expected to be collected in:		
Less than one year	$ 260,511	$ 251,010
One year to five years	252,891	279,582
More than five years	192,455	173,533
	705,857	704,125
Less unamortized discounts and allowances	152,733	153,663
	$ 553,124	$ 550,462

Contributions receivable are discounted at rates ranging from 0.22 percent to 8.77 percent at June 30, 2023 and from 0.22 percent to 6.91 percent at June 30, 2022. Of the net amount expected to be collected in less than one year, $102,227 is expected to be available for operating and capital expenses, as described in *Note 2*.

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

	2023	2022
Expendable funds restricted for (*Note 15*):		
Operating purposes	$ 66,268	$ 63,234
Investment in land, buildings, and equipment	142,838	115,417
	209,106	178,651
Endowment funds (*Notes 15 and 16*):		
Donor-restricted endowment	343,290	370,939
University-designated endowment	728	872
	344,018	371,811
	$ 553,124	$ 550,462

As of June 30, 2023, the University had received conditional pledges of $37,230, which are not reflected in the accompanying consolidated financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(All amounts in thousands)

NOTE 6.
Notes Receivable

Notes receivable are summarized as follows at June 30:

	2023	2022
Student notes receivable, related to:		
Institutional student loans	$ 10,562	$ 10,135
Government sponsored loan programs	3,620	4,748
	14,182	14,883
Less allowances for uncollectible student notes	518	413
	13,664	14,470
Other notes receivable	2,110	2,052
	$ 15,774	$ 16,522

The University maintains a liability for government advances made in prior years to fund student loans, primarily under the Perkins Loan program, the balance of which was $1,864 and $4,649 at June 30, 2023 and 2022, respectively. As described in *Note 2*, note receivable collections of $2,249 are expected to be available for general expenditure within one year. Collections of government-funded student notes receivable are not considered available for general expenditure.

NOTE 7.
Investments

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

	2023	2022
Notre Dame Endowment Pool assets	$ 20,897,295	$ 20,794,960
Other investments, associated with:		
Endowment and other University designations	117,096	104,744
Split-interest agreements (*Note 17*)	4,003	2,566
Defined benefit pension plan (*Note 14*)	190,749	231,310
	311,848	338,620
	$ 21,209,143	$ 21,133,580

Liabilities associated with investments include the following at June 30:

	2023	2022
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	$ 2,018,356	$ 2,001,689
Defined benefit pension plan (*Note 14*)	190,749	231,310
	$ 2,209,105	$ 2,232,999

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

	2023	2022
NDEP assets	$ 20,897,295	$ 20,794,960
Equity interest in consolidated company[1]	27,920	64,830
NDEP net assets unitized	$ 20,925,215	$ 20,859,790

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

(All amounts in thousands)

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

	2023	2022
University funds:		
Endowment and funds functioning as endowment	$ 16,593,296	$ 16,676,084
Working capital and other University designations	1,894,932	1,775,683
Student loan funds	1,946	1,949
Split-interest agreements (*Note 17*)	416,685	404,385
	18,906,859	18,858,101
Funds invested on behalf of religious affiliates[2]	2,018,356	2,001,689
	$ 20,925,215	$ 20,859,790

[2] *NDEP holdings were redeemable by religious affiliates at $9,412.47 and $9,760.46 per unit (whole dollars) at June 30, 2023 and 2022, respectively.*

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

Investment assets are summarized in the following tables by asset class at June 30, 2023 and 2022, respectively:

	2023		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 492,105	$ 2,480	$ 494,585
Public equities	5,317,499	75,068	5,392,567
Private equity	10,107,842	33,122	10,140,964
Multi-strategy	4,979,849	10,429	4,990,278
	20,897,295	121,099	21,018,394
Defined benefit pension plan investments (*Note 14*)	-	190,749	190,749
	$ 20,897,295	$ 311,848	$ 21,209,143

	2022		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 1,762,334	$ 2,176	$ 1,764,510
Public equities	4,739,428	63,465	4,802,893
Private equity	10,117,500	32,092	10,149,592
Multi-strategy	4,175,698	9,577	4,185,275
	20,794,960	107,310	20,902,270
Defined benefit pension plan investments (*Note 14*)	-	231,310	231,310
	$ 20,794,960	$ 338,620	$ 21,133,580

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

(All amounts in thousands)

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

	2023	2022
Public equities	$ 90,831	$ 166,639
Private equity	3,626,689	3,653,465
Multi-strategy	582,785	759,112
	$ 4,300,305	$ 4,579,216

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2023 and 2022, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

2023	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 2,480	$ 492,105	$ -	$ -	$ 494,585
Public equities:					
U.S.	2,105,200	-	-	851,495	2,956,695
Non-U.S.	910,335	-	-	1,409,758	2,320,093
Long/short strategies	-	-	-	115,779	115,779
Private equity	-	-	33,122	10,107,842	10,140,964
Multi-strategy:					
Core diversifiers	172,302	-	556,215	2,589,983	3,318,500
Fixed income	509,981	1,028,373	296	133,128	1,671,778
	$ 3,700,298	$ 1,520,478	$ 589,633	$ 15,207,985	$ 21,018,394

2022	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 2,176	$ 1,762,334	$ -	$ -	$ 1,764,510
Public equities:					
U.S.	1,354,670	-	-	705,164	2,059,834
Non-U.S.	425,738	11,793	-	2,040,820	2,478,351
Long/short strategies	-	-	-	264,708	264,708
Private equity	-	-	32,092	10,117,500	10,149,592
Multi-strategy:					
Core diversifiers	460,144	548	682,639	2,496,453	3,639,784
Fixed income	129,574	351,635	4,303	59,979	545,491
	$ 2,372,302	$ 2,126,310	$ 719,034	$ 15,684,624	$ 20,902,270

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

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

(All amounts in thousands)

At June 30, 2023 and 2022, the fair values of two Level 3 investments in the core diversifiers class were measured using two different techniques. The fair value of one investment was $183,546 and $254,693 at June 30, 2023 and 2022, respectively, and was measured using a discounted cash flow technique, the significant unobservable input to which is the discount rate (10 percent). The fair value of the second investment was $372,069 and $427,946 at June 30, 2023 and 2022, respectively, and was measured using a third-party appraisal developed using a market-based approach.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2023:

	Beginning balance	Acquisitions	Dispositions	Net gain/(loss)	Ending balance
Private equity	$ 32,092	$ 1,620	$ (610)	$ 20	$ 33,122
Multi-strategy:					
Core diversifiers	682,639	600	-	(127,024)	556,215
Fixed income	4,303	1,240	(5,342)	95	296
	$ 719,034	$ 3,460	$ (5,952)	$ (126,909)	$ 589,633

During the year ended June 30, 2023, the University recognized net unrealized losses of $126,660 on investments still held at June 30, 2023, for which fair value is measured using Level 3 inputs.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2022:

	Beginning balance	Acquisitions	Dispositions	Net gain/(loss)	Net transfers out	Ending balance
Short-term investments	$ -	$ 4,926	$ (4,807)	$ (119)	$ -	$ -
Public equities:						
Non-U.S.	186,660	3,300	-	38,630	(228,590)	-
Long/short strategies	2,663	4,204	(4,961)	(1,906)	-	-
Private equity	61,083	239,206	(270,050)	1,853	-	32,092
Multi-strategy:						
Core diversifiers	312,023	410,715	(193,341)	153,242	-	682,639
Fixed income	56,983	65,628	(117,951)	(357)	-	4,303
	$ 619,412	$ 727,979	$ (591,110)	$ 191,343	$ (228,590)	$ 719,034

During the year ending June 30, 2022, a Level 3 investment in public equities was transferred to Level 1 upon its initial public offering.

During the year ended June 30, 2022, the University recognized net unrealized gains of $155,432 on investments still held at June 30, 2022, for which fair value is measured using Level 3 inputs.

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

(All amounts in thousands)

INVESTMENT RETURN

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

	2023	2022
Income	$ 248,395	$ 181,148
Net gain/(loss):		
Realized	547,917	1,487,518
Unrealized	(483,619)	(2,989,744)
Investment-related expenses	(54,132)	(92,060)
	$ 258,561	$ (1,413,138)
Without donor restrictions	$ 151,571	$ (658,361)
With donor restrictions	106,990	(754,777)
	$ 258,561	$ (1,413,138)

Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations. Investment-related expenses also include provisions for excise taxes on investment returns and executive compensation.

A portion of accumulated investment returns is distributed annually to beneficiary programs under the University's endowment spending policy. Endowment payout by program is summarized in *Note 16*.

NOTE 8.
Land, Buildings, and Equipment

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

	2023	2022
Land and land improvements	$ 236,342	$ 226,960
Buildings	3,085,159	3,055,137
Equipment	457,047	429,048
Construction in progress	195,234	83,890
	3,973,782	3,795,035
Less accumulated depreciation	1,335,175	1,236,357
	$ 2,638,607	$ 2,558,678

Depreciation expense was $107,937 and $106,856 for the years ended June 30, 2023 and 2022, respectively.

The University recorded accounts payable and construction retainage associated with construction in progress costs of $20,438 and $8,278, respectively, at June 30, 2023. Accounts payable and construction retainage associated with construction in progress costs were $8,326 and $3,212, respectively, at June 30, 2022.

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

	2023	2022
Beginning of year	$ 27,337	$ 26,453
Liabilities incurred in current period	183	-
Obligations settled	(1,025)	(158)
Revision in estimated cash flows	-	120
Accretion expense	953	922
End of year (*Note 11*)	$ 27,448	$ 27,337

(All amounts in thousands)

NOTE 9.
Short-term Borrowing

At June 30, 2023, the University maintained a $400,000 self-liquidity commercial paper program under which it could issue taxable commercial paper. The University also maintained six unsecured lines of credit with commercial banks at June 30, 2023, in the aggregate amount of $650,000 to be utilized primarily for working capital purposes. Two lines of credit totaling $150,000 mature during the year ending June 30, 2024. Termination dates for the remaining four lines of credit totaling $500,000 ranged from December 2024 to March 2028.

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

	2023	2022
Commercial paper	$ 45,295	$ -
Lines of credit	50,000	4,000
	$ 95,295	$ 4,000

Total costs incurred on short-term borrowing, including interest and related fees, were approximately $2,466 and $1,564 for the years ended June 30, 2023 and 2022, respectively.

NOTE 10.
Deferred Revenue and Refundable Advances

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

	2023	2022
Refundable advances for:		
Research and other sponsored programs (*Note 19*)	$ 71,366	$ 73,990
Capital projects (*Note 19*)	26,581	35,000
Deferred ticket sales and other revenues from intercollegiate athletics	74,253	58,073
Deferred rental revenues	24,348	24,994
Deferred tuition and other student revenues	17,932	16,705
Other deferred revenues	8,180	12,694
	$ 222,660	$ 221,456

NOTE 11.
Deposits and Other Liabilities

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

	2023	2022
Accrued compensation and employee benefits	$ 95,301	$ 88,596
Obligation to return collateral on debt-related derivatives (*Note 4*)	40,910	20,920
Operating lease liabilities	35,562	33,528
Payroll and other taxes payable	28,064	50,876
Conditional asset retirement obligations (*Note 8*)	27,448	27,337
Accrued interest expense	15,220	15,363
Pledges payable	13,500	4,150
Debt-related derivatives (*Note 13*)	12,998	26,769
Student organization funds and other deposits	10,171	9,959
Other liabilities	22,722	25,544
	$ 301,896	$ 303,042

(All amounts in thousands)

NOTE 12.
Bonds and Notes Payable

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

	2023	2022
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 1,215,000	$ 1,215,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds	7,890	7,890
	1,222,890	1,222,890
Obligations of consolidated company:		
Mortgage note payable	39,418	40,622
	$ 1,262,308	$ 1,263,512

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

2024	$ 1,060
2025	38,358
2026	7,890
2027	-
2028	-
Thereafter	1,215,000
	$ 1,262,308

TAXABLE FIXED RATE BONDS

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

	Fiscal year of final maturity	*Rate of interest*	2023	2022
Series 2010	2041	4.90%	$ 160,000	$ 160,000
Series 2012	2043	3.72%	100,000	100,000
Series 2015	2045	3.44%	400,000	400,000
Series 2017	2048	3.39%	400,000	400,000
Series 2020	2030	1.64%	155,000	155,000
			$ 1,215,000	$ 1,215,000

Interest costs incurred on Taxable Fixed Rate Bonds were $41,425 during the years ended June 30, 2023 and 2022.

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

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

SJC bonds outstanding at June 30, 2023 and 2022 were from the Series 1996 issue, bearing interest at a fixed rate of 6.50 percent and maturing in 2026. Related interest costs were $513 for each of the years ended June 30, 2023 and 2022.

MORTGAGE NOTES

As described in *Note 1*, the University is the sole owner of a limited liability company, the activities of which are reflected in the University's consolidated financial statements. The company's assets consist primarily of real estate, the acquisition of which was financed in part with a note payable. Under the terms, the note bears interest at a fixed rate of 4.11 percent and is due on February 1, 2025. The note is not a general obligation of the University and is fully collateralized by the property mortgaged. Interest costs of $1,645 and $1,690 related to the note are reflected within non-operating changes in net assets without donor restrictions for the years ended June 30, 2023 and 2022, respectively.

(All amounts in thousands)

NOTE 13.
Derivatives

The University utilizes interest rate swaps to manage interest rate risk associated with variable rate bonds. Although the University currently has no outstanding variable rate bonds, the University held three forward starting swaps at June 30, 2023, and June 30, 2022, in anticipation of future bond issues. Under the terms of the swap agreements, the University would pay fixed rates ranging from 0.65 to 3.24 percent and receive a variable rate equal to 100 percent of the one-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $354,894 for thirty or thirty-five-year terms beginning March 1, 2025, or March 1, 2030.

After June 30, 2023, the one-month LIBOR tenor ceased to be published. The swap agreements include fallback provisions under which the Daily Compounded Secured Overnight Financing Rate plus an 11.45 basis point spread adjustment ("SOFR") replaced LIBOR as the basis for measuring the variable leg of each swap effective July 1, 2023.

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

Derivatives by their nature bear, to varying degrees, elements of market risk and credit risk that are not reflected in the amounts recorded in financial statements. Market risk in this context represents the potential for changes in the value of derivatives due to levels of volatility and liquidity or other events affecting the underlying asset, reference rate, or index, including those embodied in interest and foreign exchange rate movements and fluctuations in commodity or security prices. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the consolidated statements of financial position, not the notional amounts of the derivatives, and is further limited by the collateral arrangements as specified for specific instruments. At June 30, 2023, the University held $40,910 in collateral on debt-related interest rate swaps in asset positions.

The debt-related interest rate swaps described above have credit-risk-related contingent features that could require the University to post collateral to its counterparty when the swaps are in a net liability position. Collateral levels are determined based on the University's credit rating and the degree of the liability position and could extend to the full fair value of the swaps. The aggregate fair value of swaps in liability positions was $12,998 and $26,769 at June 30, 2023, and June 30, 2022, respectively, but based on the quality of its credit rating, the University was not required to post collateral for these swaps at either of those dates.

The notional amounts and estimated fair values of the debt-related interest rate swaps at June 30, 2023 and 2022, respectively, are summarized below:

	2023	2022
Notional amounts	$ 354,894	$ 354,894
Fair value, as reflected in the statements of financial position:		
Deferred charges and other assets (*Note 4*)	73,928	60,148
Deposits and other liabilities (*Note 11*)	12,998	26,769

Fair value measurements are based on observable interest rates that fall within Level 2 of the hierarchy of fair value inputs. The net gain or loss on debt-related swaps is reported as such within non-operating changes in net assets without donor restrictions. Net gains of $27,551 and $50,762 were reported during the years ended June 30, 2023 and 2022, respectively. No periodic settlements were required for the years ended June 30, 2023 and 2022.

(All amounts in thousands)

NOTE 14.
Pension and Other Postretirement Benefits

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty, exempt staff, and non-exempt staff hired on or after January 1, 2018, participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operating under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also voluntarily participate in the plan by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan and may direct their contributions and the University's contributions on their behalf to plan investments. The University's share of the cost of these benefits was $48,306 and $42,694 for the years ended June 30, 2023 and 2022, respectively.

DEFINED BENEFIT PENSION PLAN AND POSTRETIREMENT MEDICAL INSURANCE BENEFITS

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

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

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

	2023	2022
Liability for pension benefits:		
PBO at end of year	$ 201,074	$ 259,385
Less: Fair value of plan assets at end of year (*Note 7*)	190,749	231,310
	10,325	28,075
Liability for other postretirement benefits (APBO at year end)	45,502	45,870
	$ 55,827	$ 73,945

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2023	2022	2023	2022
Beginning of year	$ 259,385	$ 315,813	$ 45,870	$ 58,086
Service cost	4,552	5,956	1,902	2,508
Interest cost	11,802	9,207	2,070	1,585
Actuarial gain	(5,268)	(59,313)	(2,782)	(14,730)
Benefit payments	(12,392)	(12,278)	(1,558)	(1,579)
Settlement	(57,005)	-	-	-
End of year	$ 201,074	$ 259,385	$ 45,502	$ 45,870

(All amounts in thousands)

Actuarial gains recognized during the years ended June 30, 2023 and 2022 primarily reflect increases in the discount rates used in measuring the respective benefit obligations at the report dates. During the year ended June 30, 2023, the University settled a portion of its pension benefit obligations with the purchase of a group annuity contract from a third-party insurer.

The accumulated benefit obligation associated with pension benefits was $182,461 and $240,720 at June 30, 2023 and 2022, respectively.

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

	2023	2022
Plan assets at beginning of year	$ 231,310	$ 269,680
Actual return on plan assets	16,926	(27,493)
Employer contributions	11,910	1,400
Benefit payments	(12,392)	(12,277)
Settlement	(57,005)	-
Plan assets at end of year	$ 190,749	$ 231,310

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

	Pension benefits		*Other postretirement benefits*	
	2023	2022	2023	2022
Operating expense components:				
Service cost	$ 4,552	$ 5,956	$ 1,902	$ 2,508
Settlement expense	4,618	-	-	-
Total non-operating components	9,170	5,956	1,902	2,508
Non-operating components:				
Interest cost	11,802	9,207	2,070	1,585
Expected return on plan assets	(15,702)	(15,581)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss/(gain)	-	4,354	(127)	56
Amortization of prior service credit	-	-	(49)	(50)
Net amortization	-	4,354	(176)	6
Total non-operating components	(3,900)	(2,020)	1,894	1,591
Total net periodic benefit cost	$ 5,270	$ 3,936	$ 3,796	$ 4,099

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

(All amounts in thousands)

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

	Pension benefits		*Other postretirement benefits*	
	2023	**2022**	**2023**	**2022**
Net actuarial gain	$ 6,492	$ 16,239	$ 2,782	$ 14,730
Settlement expense	4,618	-	-	-
Adjustment for components of net periodic benefit cost recognized previously	-	4,354	(177)	6
	$ 11,110	$ 20,593	$ 2,605	$ 14,736

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

	Pension benefits		*Other postretirement benefits*	
	2023	**2022**	**2023**	**2022**
Net loss/(gain)	$ 14,441	$ 25,551	$ (7,307)	$ (4,652)
Prior service credit	-	-	(61)	(110)
	$ 14,441	$ 25,551	$ (7,368)	$ (4,762)

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

	Pension benefits		*Other postretirement benefits*	
	2023	**2022**	**2023**	**2022**
Discount rate	5.00%	4.75%	5.00%	4.75%
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2029)			7.60%	7.00%

Discount rates are selected based on the yields of high-grade corporate bonds with maturities similar to the period over which projected benefits would be paid.

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

	Pension benefits		*Other postretirement benefits*	
	2023	**2022**	**2023**	**2022**
Discount rate	4.75%	3.00%	4.75%	3.00%
Expected long-term rate of return on plan assets	6.50%	6.50%		
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 4.50% in 2028)			7.00%	6.50%

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

(All amounts in thousands)

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2023, are as follows:

	Pension benefits	*Other postretirement benefits*
2024	$ 7,850	$ 2,405
2025	8,760	2,593
2026	9,625	2,826
2027	10,395	2,976
2028	11,334	3,157

Projected aggregate payments for pension benefits and other postretirement benefits for the five-year period ending June 30, 2033, are $67,439 and $17,832, respectively. The University does not anticipate a required contribution to the defined benefit pension plan during the year ending June 30, 2024.

DEFINED BENEFIT PENSION PLAN ASSETS

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

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

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

	2023	**2022**	*Target*
Short-term investments	0.7%	0.9%	0.0%
Public equities	54.5%	55.2%	55.0%
Multi-strategy	26.9%	29.7%	30.0%
Private equity	17.9%	14.2%	15.0%
	100.0%	100.0%	100.0%

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

Public equities—Provides access to liquid markets and serves as a long-term hedge against inflation by delivering long-term capital appreciation in real terms.

Multi-strategy—Fixed income component provides income stability and predictable nominal cash flow relative to other asset classes. Diversifiers provide opportunities to benefit from short-term inefficiencies in capital markets.

Private equity—Provides risk-adjusted returns in excess of public equities by investing in inefficient markets, further enhancing long-term capital appreciation.

(All amounts in thousands)

Fair value measurements of plan investments at June 30, 2023 and 2022, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2023				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 1,339	$ -	$ -	$ -	$ 1,339
Public equities:					
U.S.	-	-	-	69,939	69,939
Non-U.S.	-	-	-	33,978	33,978
Multi-strategy	-	-	-	51,264	51,264
Private equity	-	-	-	34,229	34,229
	$ 1,339	$ -	$ -	$ 189,410	$ 190,749

	2022				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 2,171	$ -	$ -	$ -	$ 2,171
Public equities:					
U.S.	-	-	-	83,780	83,780
Non-U.S.	-	-	-	43,941	43,941
Multi-strategy	-	-	-	68,649	68,649
Private equity	-	-	-	32,769	32,769
	$ 2,171	$ -	$ -	$ 229,139	$ 231,310

The plan is committed under contracts with certain investment managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Total commitments of $20,882 and $25,807 were uncalled at June 30, 2023 and 2022, respectively.

NOTE 15.
Net Assets

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

	2023	2022
University-designated endowment (*Note 16*)	$ 6,754,264	$ 6,830,951
Other net assets	2,636,386	2,448,597
	$ 9,390,650	$ 9,279,548

(All amounts in thousands)

Net assets with donor restrictions are summarized as follows at June 30, 2023:

	Purpose and/or time restrictions	*Perpetual restrictions*	*Total*
Endowment funds (*Note 16*):			
Endowment and funds functioning as endowment	$ 6,712,719	$ 3,149,541	$ 9,862,260
Contributions receivable (*Note 5*)	728	343,290	344,018
	6,713,447	3,492,831	10,206,278
Expendable funds restricted for:			
Operating purposes	250,907	-	250,907
Investment in land, buildings, and equipment	66,972	-	66,972
Contributions receivable (*Note 5*)	209,106	-	209,106
	526,985	-	526,985
Split-interest agreements (*Note 17*)	74,672	43,085	117,757
Other net assets	-	9,183	9,183
	$ 7,315,104	$ 3,545,099	$ 10,860,203

Net assets with donor restrictions are summarized as follows at June 30, 2022:

	Purpose and/or time restrictions	*Perpetual restrictions*	*Total*
Endowment funds (*Note 16*):			
Endowment and funds functioning as endowment	$ 6,939,383	$ 2,958,965	$ 9,898,348
Contributions receivable (*Note 5*)	872	370,939	371,811
	6,940,255	3,329,904	10,270,159
Expendable funds restricted for:			
Operating purposes	244,916	-	244,916
Investment in land, buildings, and equipment	60,530	-	60,530
Contributions receivable (*Note 5*)	178,651	-	178,651
	484,097	-	484,097
Split-interest agreements (*Note 17*)	67,244	34,711	101,955
Other net assets	-	8,916	8,916
	$ 7,491,596	$ 3,373,531	$ 10,865,127

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

	2023	**2022**
For operations:		
Scholarships and fellowships awarded	$ 163,371	$ 149,744
Expenditures for operating purposes	228,526	189,719
	391,897	339,463
For long-term investment	36,779	98,886
	$ 428,676	$ 438,349

(All amounts in thousands)

NOTE 16.
Endowment

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

Based on the University's interpretation of state law governing the prudent management of endowment funds, the portion of donor-restricted endowment funds required to be maintained in perpetuity is classified as net assets *with donor restrictions*. Accumulated appreciation on donor-restricted endowment funds is deemed to be subject to purpose and/or time restrictions and is also classified as net assets *with donor restrictions* until appropriated under the University's endowment spending policy. Expendable funds with purpose-related restrictions that have been designated as endowment at the University's discretion, as well as endowment funds for which the donor has granted the University flexibility to expend or redirect to another purpose, are classified as university-designated endowment funds *with donor restrictions*. The respective portions of donor-restricted endowment funds subject to perpetual and purpose and/or time-related restrictions are summarized in *Note 15*.

Endowment funds at June 30, 2023, are summarized as follows:

	Without donor restrictions (Note 15)	*With donor restrictions (Note 15)*	*Total*
Funds established to support:			
Scholarships and fellowships	$ 2,274,504	$ 3,654,766	$ 5,929,270
Academics:			
Faculty chairs and professorships	246,504	2,304,081	2,550,585
Program support	601,439	3,152,530	3,753,969
General operations	1,690,996	135,979	1,826,975
Athletics	241,217	272,783	514,000
Campus infrastructure	1,413,931	135	1,414,066
Other	285,673	341,986	627,659
	6,754,264	9,862,260	16,616,524
Contributions receivable (*Note 5*)	-	344,018	344,018
	$ 6,754,264	$ 10,206,278	$ 16,960,542
Donor-restricted endowment, principal	$ -	$ 3,149,266	$ 3,149,266
Donor-restricted endowment, appreciation	-	5,896,498	5,896,498
University-designated endowment	6,754,264	816,496	7,570,760
	6,754,264	9,862,260	16,616,524
Contributions receivable (*Note 5*)	-	344,018	344,018
	$ 6,754,264	$ 10,206,278	$ 16,960,542

(All amounts in thousands)

Endowment funds at June 30, 2022, are summarized as follows:

	Without donor restrictions (Note 15)	*With donor restrictions (Note 15)*	*Total*
Funds established to support:			
Scholarships and fellowships	$ 2,534,691	$ 3,686,437	$ 6,221,128
Academics:			
Faculty chairs and professorships	251,506	2,313,508	2,565,014
Program support	626,278	3,156,838	3,783,116
General operations	1,476,242	139,185	1,615,427
Athletics	247,473	270,197	517,670
Campus infrastructure	1,412,798	134	1,412,932
Other	281,963	332,049	614,012
	6,830,951	9,898,348	16,729,299
Contributions receivable (*Note 5*)	-	371,811	371,811
	$ 6,830,951	$ 10,270,159	$ 17,101,110
Donor-restricted endowment, principal	$ -	$ 2,959,188	$ 2,959,188
Donor-restricted endowment, appreciation	-	6,092,366	6,092,366
University-designated endowment	6,830,951	846,794	7,677,745
	6,830,951	9,898,348	16,729,299
Contributions receivable (*Note 5*)	-	371,811	371,811
	$ 6,830,951	$ 10,270,159	$ 17,101,110

The fair value of assets associated with individual donor-restricted endowments may fall below the level to be maintained in perpetuity when the timing of contributions coincides with unfavorable market fluctuations. The collective underwater positions of these endowments are summarized as follows for the years ended June 30:

	2023	**2022**
Fair value	$ 181,843	$ 128,152
Less principal balance	190,526	136,448
	$ (8,683)	$ (8,296)

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

(All amounts in thousands)

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

	Without donor restrictions	With donor restrictions	**2023** Total
Beginning of the year	$ 6,830,951	$ 10,270,159	$ 17,101,110
Contributions	20,512	160,461	180,973
Investment return:			
Investment income	83,967	121,636	205,603
Net loss on investments	(9,300)	(14,553)	(23,853)
Endowment payout supporting:			
Operating purposes	(178,551)	(343,318)	(521,869)
Campus infrastructure	(36,779)	-	(36,779)
Other changes, net[1]	43,464	11,893	55,357
	$ 6,754,264	$ 10,206,278	$ 16,960,542

	Without donor restrictions	With donor restrictions	**2022** Total
Beginning of the year	$ 7,345,695	$ 11,039,659	$ 18,385,354
Contributions	21,838	304,994	326,832
Investment return:			
Investment income	57,569	83,024	140,593
Net gain on investments	(572,010)	(837,118)	(1,409,128)
Endowment payout supporting:			
Operating purposes	(161,022)	(304,781)	(465,803)
Campus infrastructure	(32,676)	(27)	(32,703)
Other changes, net[1]	171,557	(15,592)	155,965
	$ 6,830,951	$ 10,270,159	$ 17,101,110

[1]*Reflects the net effects of changes in donor intent and management-directed allocations that result in additions to or withdrawals from endowment. During the year ended June 30, 2022, $150,000 in net assets without donor restrictions was formally designated as funds functioning as endowment for the support of future campus infrastructure projects.*

The University's endowment spending policy seeks to balance current and future needs of supported programs by providing a predictable, stable stream of payout that does not decline in purchasing power over time. Endowment payout is determined using a standardized per-unit rate intended to meet a Board-approved year-over-year growth target. Annual payout growth targets are informed by a policy benchmark that considers payout levels relative to NDEP performance over the most recent three fiscal years in order to buffer against market volatility. During periods in which funds are in underwater positions, payout to supported programs is subsidized by University reserves to preserve donor-restricted endowment principal.

(All amounts in thousands)

Endowment payout appropriated under the University's endowment spending policy is summarized below by the purposes associated with applicable funds for the years ended June 30:

	Without donor restrictions	With donor restrictions	**2023** Total
Operating purposes:			
Scholarships and fellowships	$ 83,272	$ 132,304	$ 215,576
Academics:			
Faculty chairs and professorships	8,451	80,858	89,309
Program support	15,826	111,985	127,811
General operations	61,155	4,983	66,138
Athletics	8,896	9,741	18,637
Other	951	3,447	4,398
	178,551	343,318	521,869
Campus infrastructure	36,779	-	36,779
	$ 215,330	$ 343,318	$ 558,648

	Without donor restrictions	With donor restrictions	**2022** Total
Operating purposes:			
Scholarships and fellowships	$ 82,329	$ 117,198	$ 199,527
Academics:			
Faculty chairs and professorships	7,544	72,657	80,201
Program support	14,109	98,531	112,640
General operations	48,484	4,521	53,005
Athletics	8,087	8,483	16,570
Other	469	3,391	3,860
	161,022	304,781	465,803
Campus infrastructure	32,676	27	32,703
	$ 193,698	$ 304,808	$ 498,506

NOTE 17.
Split-Interest Agreements

The University's split-interest agreements consist of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee, the net assets of which are summarized as follows at June 30:

	Without donor restrictions	With donor restrictions (Note 15)	**2023** Total	**2022** Total
Charitable trust assets, held in:				
NDEP (*Note 7*)	$ -	$ 416,685	$ 416,685	$ 404,385
Other investments (*Note 7*)	-	4,003	4,003	2,566
	-	420,688	420,688	406,951
Less obligations[1] associated with:				
Charitable trusts	-	296,829	296,829	296,850
Charitable gift annuities	2,290	6,102	8,392	10,556
	2,290	302,931	305,221	307,406
	$ (2,290)	$ 117,757	$ 115,467	$ 99,545

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

(All amounts in thousands)

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust and based on the nature of the agreements are designated as funds functioning as endowment. Total assets associated with the charitable gift annuity program were $37,507 and $47,318 at June 30, 2023 and 2022, respectively.

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

	Without donor restrictions	*With donor restrictions*	**2023** *Total*	**2022** *Total*
Beginning of the year	$ (2,410)	$ 101,955	$ 99,545	$ 135,770
Contributions:				
Assets received	-	39,661	39,661	24,911
Discounts recognized[1]	-	(28,711)	(28,711)	(17,227)
	-	10,950	10,950	7,684
Change in value of agreements:				
Investment return, net	-	4,341	4,341	(36,673)
Payments to beneficiaries	(348)	(26,963)	(27,311)	(24,849)
Actuarial adjustments and other changes in obligations	120	30,776	30,896	21,778
	(228)	8,154	7,926	(39,744)
Transfers and other changes, net	348	(3,302)	(2,954)	(4,165)
	$ (2,290)	$ 117,757	$ 115,467	$ 99,545

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

NOTE 18.
Net Tuition and Fees

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

	2023		
	Tuition and fees	*Scholarships and fellowships*	*Net tuition and fees*
Undergraduate programs	$ 544,446	$ (238,823)	$ 305,623
Graduate and professional programs	221,869	(163,808)	58,061
	$ 766,315	$ (402,631)	$ 363,684

	2022		
	Tuition and fees	*Scholarships and fellowships*	*Net tuition and fees*
Undergraduate programs	$ 531,416	$ (221,951)	$ 309,465
Graduate and professional programs	220,102	(160,261)	59,841
	$ 751,518	$ (382,212)	$ 369,306

(All amounts in thousands)

NOTE 19.
Grants and Contracts

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

	Direct	Indirect	2023 Total	2022 Total
Provided for:				
Research	$ 153,998	$ 37,587	$ 191,585	$ 163,957
Other sponsored programs	23,134	772	23,906	21,582
	$ 177,132	$ 38,359	$ 215,491	$ 185,539

	Direct	Indirect	2023 Total	2022 Total
Provided by:				
Federal agencies	$ 124,166	$ 34,669	$ 158,835	$ 132,856
State and local agencies	1,596	91	1,687	650
Private organizations	51,370	3,599	54,969	52,033
	$ 177,132	$ 38,359	$ 215,491	$ 185,539

As reflected in *Note 10*, the University recorded $71,366 in refundable advances on awards for research and other sponsored programs as of June 30, 2023. The University also had unexpended grant awards of approximately $216,000 for which funding has not been received. Operating revenue for these awards will be recognized as their associated conditions are fulfilled.

The University also recognized non-operating revenue of $8,419 during the year ending June 30, 2023, related to an award that provides partial funding for construction of a new research facility. Refundable advances associated with this award were $26,581 as of June 30, 2023. Non-operating revenue for this award will be recognized as its associated conditions are fulfilled.

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

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $24,366 for the year ended June 30, 2023, including $12,260 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2022, were $23,772, including $13,299 in ROTC scholarships.

(All amounts in thousands)

NOTE 20.
Sales and Services of Auxiliary Enterprises

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

	2023	2022
Intercollegiate athletics:		
Contract-based revenues	$ 142,928	$ 145,099
Other revenues	30,830	28,222
Housing, dining, and other student revenue, net	109,701	104,755
Hospitality services	34,510	30,311
Event management services	4,032	15,320
Bookstore and licensing	18,761	14,676
Other auxiliary revenues	3,518	3,375
	$ 344,280	$ 341,758

NOTE 21.
Contingencies and Commitments

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

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

At June 30, 2023, the University also has contractual commitments of approximately $80,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $280,000.

University Administration

As of June 30, 2023

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