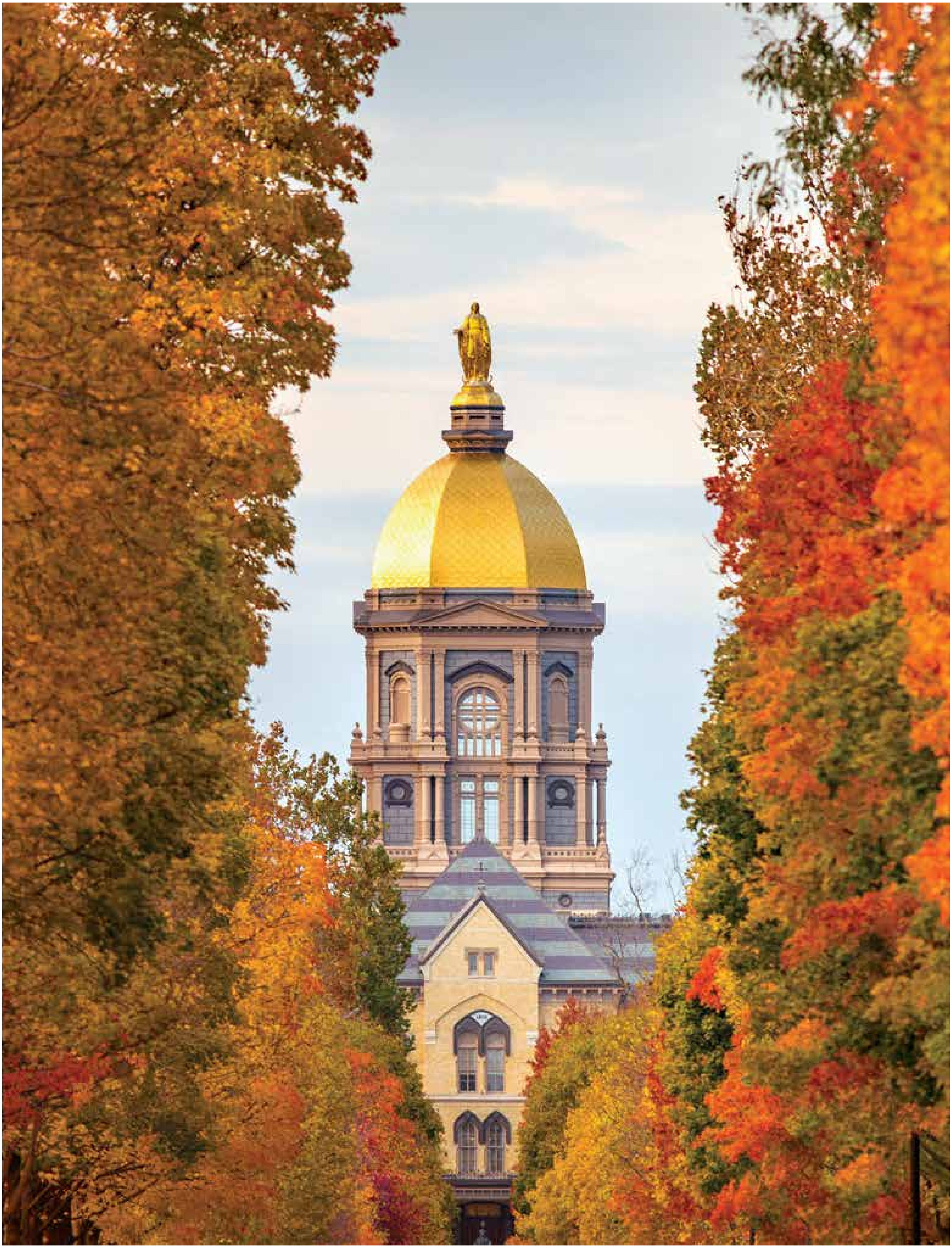
ANNUAL REPORT
2018

UNIVERSITY OF NOTRE DAME

2018 ANNUAL REPORT CONTENTS



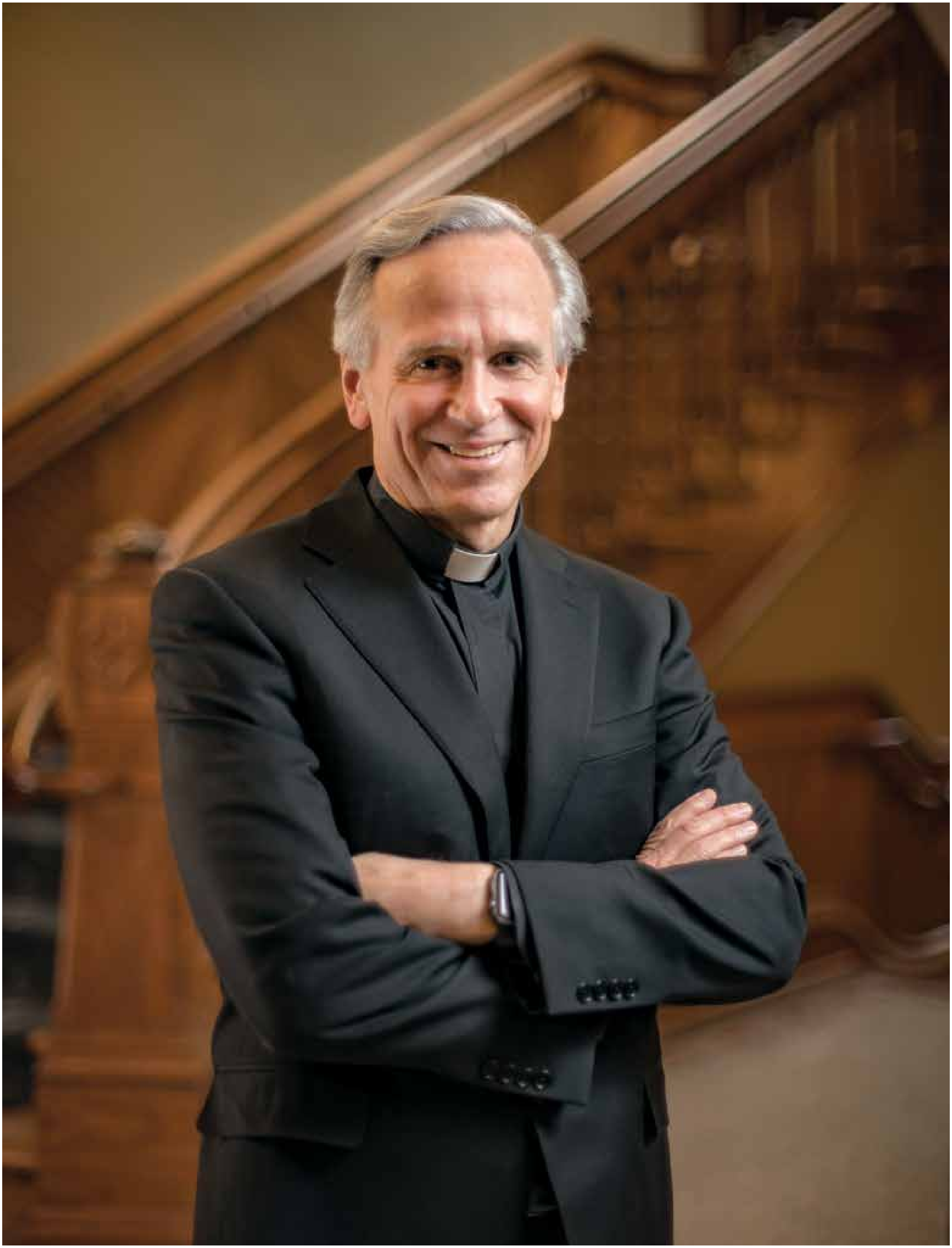
STATISTICAL HIGHLIGHTS

	Academic Years Ending May				
	2018	2017	2016	2015	2014
Students					
Undergraduate	8,576	8,530	8,462	8,448	8,477
Graduate and professional	3,891	3,863	3,830	3,731	3,647
Total fall enrollment	12,467	12,393	12,292	12,179	12,124
Admissions					
Undergraduate					
Applications	19,564	19,505	18,157	17,901	17,647
Offers of admission	3,702	3,654	3,595	3,785	3,936
Enrolled	2,051	2,046	2,007	2,011	2,071
Selectivity	18.9%	18.7%	19.8%	21.1%	22.3%
Yield	55.4%	56.0%	55.8%	53.1%	52.6%
Graduate School[1]					
Master's level[2]					
Applications	1,239	1,157	1,406	1,168	1,421
Offers of admission	257	171	243	217	256
Enrolled	190	111	151	134	159
Selectivity	20.7%	14.8%	17.3%	18.6%	18.0%
Yield	73.9%	64.9%	62.1%	61.8%	62.1%
Doctoral level					
Applications	3,230	3,390	3,617	3,703	3,621
Offers of admission	690	648	679	645	597
Enrolled	345	301	325	298	275
Selectivity	21.4%	19.1%	18.8%	17.4%	16.5%
Yield	50.0%	46.5%	47.9%	46.2%	46.1%
Degrees Conferred[3]					
Baccalaureate	2,173	2,146	2,135	2,128	2,106
Master's (includes MBA)	1,003	1,062	1,058	991	983
Juris Doctorate	206	206	172	180	180
Doctorate-Research	281	239	216	244	206
Total degrees conferred	3,663	3,653	3,581	3,543	3,475
Undergraduate Tuition Rate	$ 50,998	$ 49,178	$ 47,422	$ 45,730	$ 44,098
Percent increase over prior year	3.7%	3.7%	3.7%	3.7%	3.8%

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

2 *2017 and 2016 amounts have been restated to conform to 2018 presentation*

3 *Includes degrees awarded in all categories*



MESSAGE FROM THE PRESIDENT

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

This year's annual report is exceptional in one important, bittersweet way. It is the last in which a message from John Affleck-Graves as executive vice president of the University of Notre Dame will appear.

Having announced his retirement effective June 30, 2019, John and his wife, Rita, will enjoy a well-deserved respite from the daily demands of so crucial a role. Behind the numbers arrayed in the consolidated financial statements in this report, one finds clues as to how, in fulfilling his responsibilities, John made Notre Dame stronger than ever. Chair of the Notre Dame Board of Trustees John J. Brennan said of John: "He shepherded the greatest expansion and modernization of Notre Dame's physical plant, including research and residential facilities, in ways which were fiscally responsible, environmentally sound, and beautiful. At the same time, John has stewarded a huge increase in financial aid for our students to more than $155 million from $58 million during his tenure."

> He led with a head for finance and a heart for people that exemplified the best of Notre Dame.

As the University's chief financial officer, and as illustrated in this report, John expertly oversees the operating budget, endowment, finance, information technology, human resources, campus safety, event management, construction, building services, landscaping, food services, and auxiliary operations, including the Hammes Notre Dame Bookstore, Morris Inn, and licensing.

Despite an often volatile national economy during his tenure, John kept a firm grip on Notre Dame's fiscal operations necessary for its continued growth as one of the nation's leading research universities.

During John's time as executive vice president—14 years to date—Notre Dame's annual operating budget more than doubled to nearly $1.6 billion, and the Notre Dame Endowment Pool more than tripled to $13.1 billion. Thirty-six new buildings were constructed under his oversight, including the 800,000-square-foot addition of three buildings surrounding Notre Dame Stadium that stands as the largest building initiative in Notre Dame's 176-year history.

I am particularly proud of the fact that Notre Dame never once furloughed an employee during John's tenure. He found ways, even in the crippling recession of 2007–2009, to keep everyone employed. He led with a head for finance and a heart for people that exemplified the best of Notre Dame.

Please enjoy this annual report—a success story in which you will find the unmistakable imprint of John Affleck-Graves. The pages that follow illustrate how our stewardship of investments and benefaction remain healthy and highlight certain milestones, like the enrollment of the first class at the new Donald R. Keough School of Global Affairs.

As the University welcomes Shannon Cullinan as our incoming executive vice president, we are poised to build on the success Notre Dame has enjoyed thus far. Shannon will provide superb leadership, working closely with our Board of Trustees, our deans and faculty, and our administrators and staff. I have never been more confident in our ability to advance Notre Dame's standing as a preeminent research university that offers an unsurpassed undergraduate education, always in the context of our mission as a Catholic institution. I look forward to a bright future and to all that lies ahead.

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

JOHN F. AFFLECK-GRAVES

Our University was founded on bold aspirations. With the support of our alumni, benefactors, and friends of the University, we are closer to realizing Rev. Edward F. Sorin's vision for Notre Dame to be a powerful force for good in the world.

As the leading Catholic research university, the work of our faculty, staff, and students brings hope, light, and understanding to the world. As we broaden the University's impact, we are committed to ensuring that a Notre Dame education is accessible to all. This past year, the University invested $155 million into undergraduate financial aid, a commitment made possible by the generosity of our supporters who join us in our mission. Through the Fighting Irish Initiative and new programs such as Science & Engineering Scholars, deserving students are empowered to realize their educational goals, despite odds that may be stacked against them.

> We are committed to ensuring that a Notre Dame education is accessible to all.

Because of the prudent management of our endowment, we are well-positioned to continue to impact the world with our research, teaching, and service. Increasingly, the careful stewardship of the endowment funds and our conservative fiscal approach enable us to be less dependent on tuition revenue while maintaining low levels of debt and balancing the budget every year.

The opening of Corbett Family Hall, the Duncan Student Center, O'Neill Hall, Jenkins Hall, and Nanovic Hall has transformed numerous departments, created space for a new school, and given our students expanded opportunities to cultivate the education of their minds, bodies, and spirits. At the same time, we remain steadfast in our commitment to our distinct residential life. Because of the generosity of our benefactors, we will open a new men's residence hall in August 2019 and a new women's residence hall in August 2020, ensuring our ability to provide housing for our undergraduates to live together in community.

Similarly, we have partnered with benefactors and the Congregation of Holy Cross to provide our religious community with the residence they so vitally need to complete their work in service to the Church and our campus community. In the spring of 2020, we will complete a new Corby Hall, replacing the original Corby Hall that had been home to the members of the Congregation since 1893.

As we construct new facilities to accomplish our mission, we are careful to preserve the existing facilities and iconic spaces that make our campus among the most beautiful and sacred of all university campuses. Continually, we invest in renovations and maintenance for all of our facilities and strictly follow our undergraduate residential facilities master plan.

As we look to the future, we are confident in our progress in pursuit of our mission and grateful for those who embrace our bold vision that is rooted in our Catholic tradition.

INVESTMENT REVIEW

SCOTT C. MALPASS, VICE PRESIDENT AND CHIEF INVESTMENT OFFICER

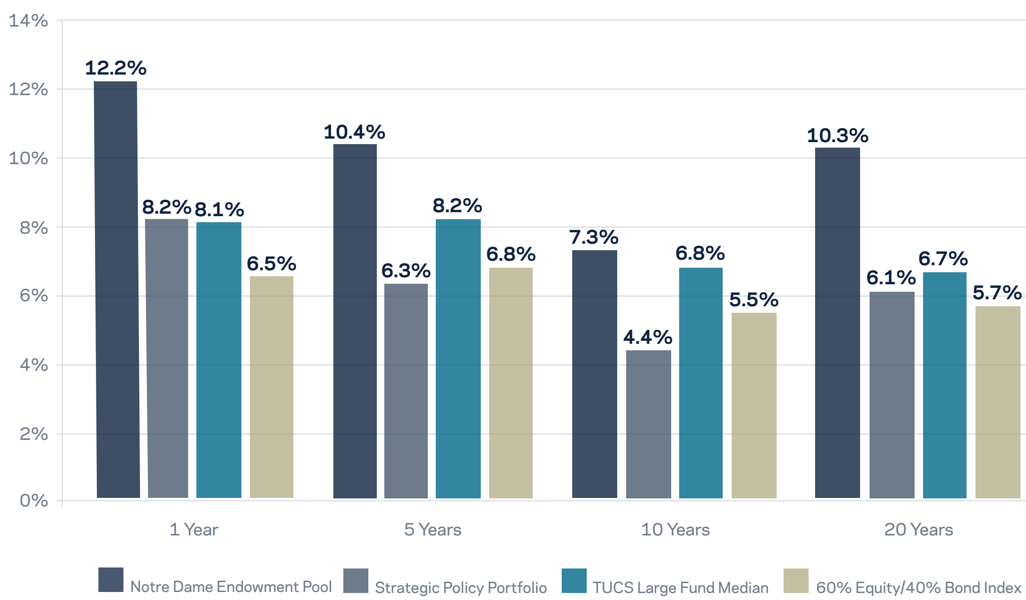
The investment return for the Notre Dame Endowment Pool for the fiscal year ended June 30, 2018, was 12.2 percent, net of investment manager fees. The market value of the Endowment Pool grew to $13.11 billion at fiscal year end, up from $11.79 billion at June 30, 2017.

The private equity portfolio generated solid returns across all strategies. The generally positive performance of public equity markets around the world continued during the year, although there was a wide dispersion of returns in different markets. In addition to strength domestically, public equity managers in emerging markets produced strong absolute and relative returns for the University.

The investment performance of the Endowment Pool compared to benchmarks for the fiscal year, and for longer-term time periods covering various market cycles, is shown in the chart below. These results have been achieved while also giving great attention to reducing risk and dampening market volatility in light of the University's reliance on consistent Endowment spending to support the University's mission.

ENDOWMENT POOL INVESTMENT PERFORMANCE

(Annualized returns net of fees)
Periods ended June 30, 2018

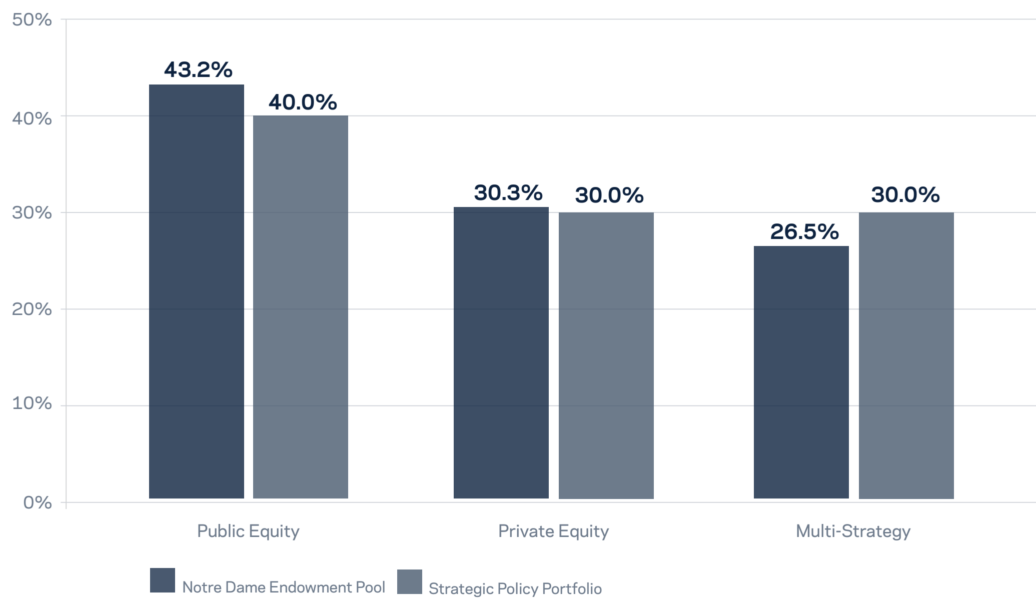


Notre Dame Endowment Pool returns are net of (reduced by) investment managers' fees. The Strategic Policy Portfolio is Notre Dame's internal benchmark consisting of indices representative of the target investment portfolio. The Trust Universe Comparison Service (TUCS) Large Fund Median is a compilation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

Ongoing success over time will continue to be driven by adherence to our long-standing philosophies of diversification, investing in less efficient markets and areas outside of the public equity markets, and manager selection grounded in deep due diligence to identify excellence in each respective niche of the portfolio.

ENDOWMENT POOL ASSET ALLOCATION

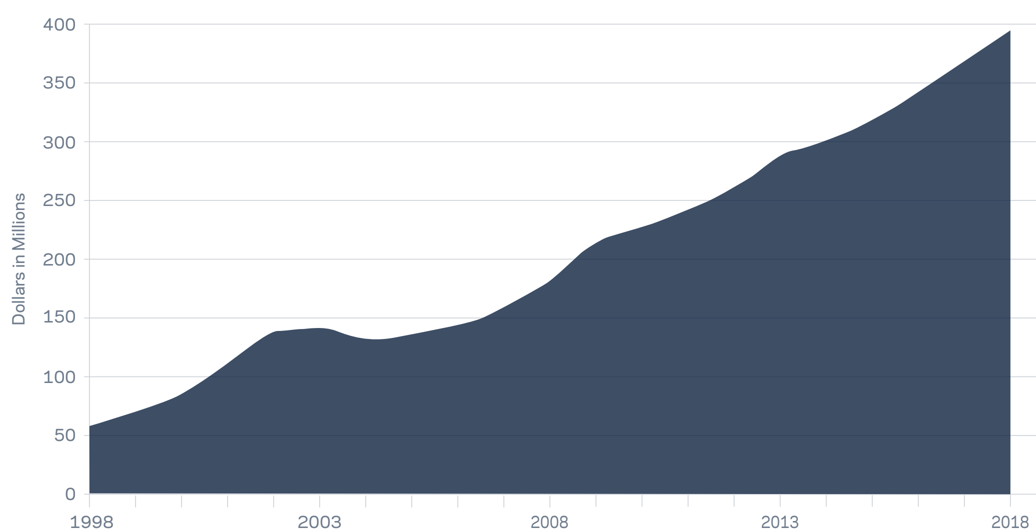
As of June 30, 2018



Spending from the Endowment Pool during the fiscal year was $393 million, up from $368 million the prior year, which was an increase of 6.6 percent. Growth in annual spending over the last 20 years is shown in the accompanying chart, and cumulative spending during that period exceeded $4.2 billion.

ENDOWMENT SPENDING HISTORY

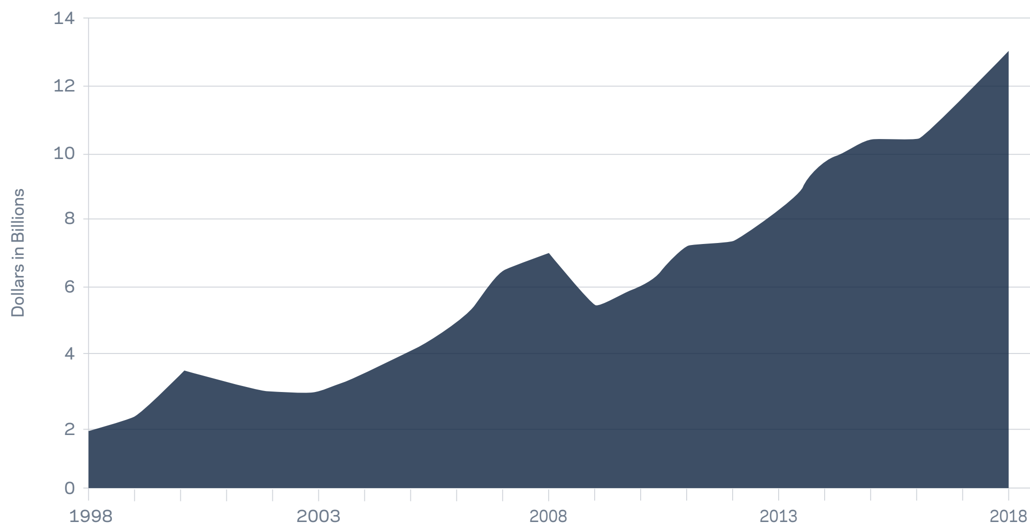
Fiscal years ended June 30



The ability to provide such a high level of financial support that has been so important to campus life over the last two decades, while at the same time growing the Endowment to provide for future needs, is directly attributable to sound long-term investment and spending strategies and to the generosity of the University's donors.

ENDOWMENT POOL MARKET VALUE

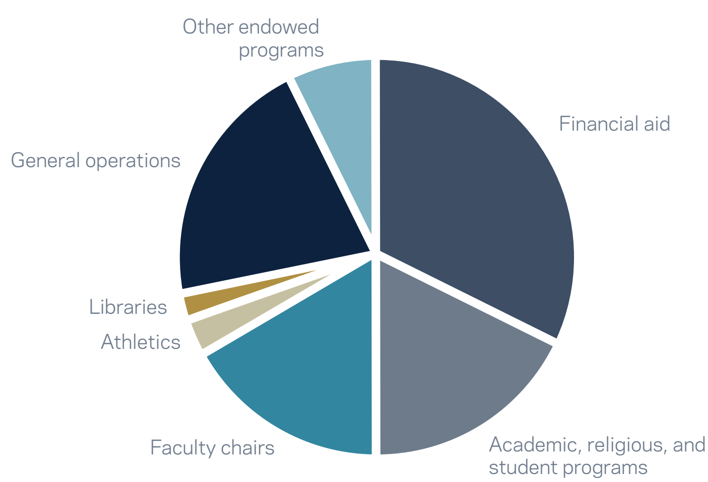
As of June 30



Perhaps the most vital area supported by our benefactors is making a Notre Dame education more affordable for a large part of our student body. The biggest beneficiary of Endowment spending continues to be student financial aid, and Endowment spending for all purposes during the fiscal year equated to 26 percent of the University's expenditures, which by itself reduces reliance on tuition.

ENDOWMENT SPENDING PURPOSES

Year ended June 30, 2018



This past year, our students, faculty, staff, and alumni celebrated the 175th anniversary of the founding of Notre Dame by Rev. Edward F. Sorin, C.S.C. The Endowment has been in existence for nearly 100 of those years and will be a key element of the University's ongoing progress for the next 175 years and more. Many thanks to all of you who make this possible and who are assuring the attainment of Father Sorin's vision that Notre Dame will be a "powerful means of doing good."

UNIVERSITY HIGHLIGHTS

EVENTS

VIEWS FROM THE WEST WING

Two former White House chiefs of staff were the featured speakers for the Notre Dame Forum, titled "Going Global: Exploring the Challenges and Opportunities of Globalism." Denis McDonough, chief of staff for President Barack Obama, and Andrew Card, who served President George W. Bush, spoke to an audience of more than 1,100 on foreign relations, as well as the challenges of overseeing the schedule, vision, and staff of the most powerful person in the world.

APPOINTMENTS

RICE COMMISSION: ONE-AND-DONE MUST END

NCAA President Mark Emmert appointed Notre Dame President Rev. John I. Jenkins, C.S.C., to the Commission on College Basketball. The 14-member body, chaired by former Secretary of State Condoleezza Rice, examined critical aspects of Division I men's basketball in the wake of FBI investigations into individuals associated with the sport. The commission's recommendations were released in April and included elimination of the one-and-done rule, which Father Jenkins characterized as an "educational sham."

38
Students

22
Countries

INTERNATIONAL IMPACT

NOTRE DAME'S OUTREACH TO THE WORLD

The Donald R. Keough School of Global Affairs, Notre Dame's first new school or college in nearly a century, enrolled its first students. Housed in the newly completed Jenkins Hall, the school enrolled 38 students in its master of global affairs program. The students hail from 22 countries and bring with them extensive experience in international development, education, peacebuilding, environmental conservation, human rights, humanitarian assistance, journalism, and other fields. They engage in a curriculum that offers foundational courses in economics and integral human development and choose a concentration in international development, international peace studies, or global affairs.

EVENTS

300 MILES IN THE FOOTSTEPS OF OUR FOUNDER

Notre Dame commemorated its 175th anniversary with a variety of events, highlighted by the Notre Dame Trail, a 300-mile reenactment of the journey from Vincennes, Indiana, to South Bend by the University's founder, Rev. Edward F. Sorin, C.S.C., and Holy Cross Brothers in November 1842. Other anniversary events included multiple presentations of a one-man play titled "Sorin: A Notre Dame Story" and a 3D video of the University's history that was projected onto the Main Building.

CAMPUS GROWTH

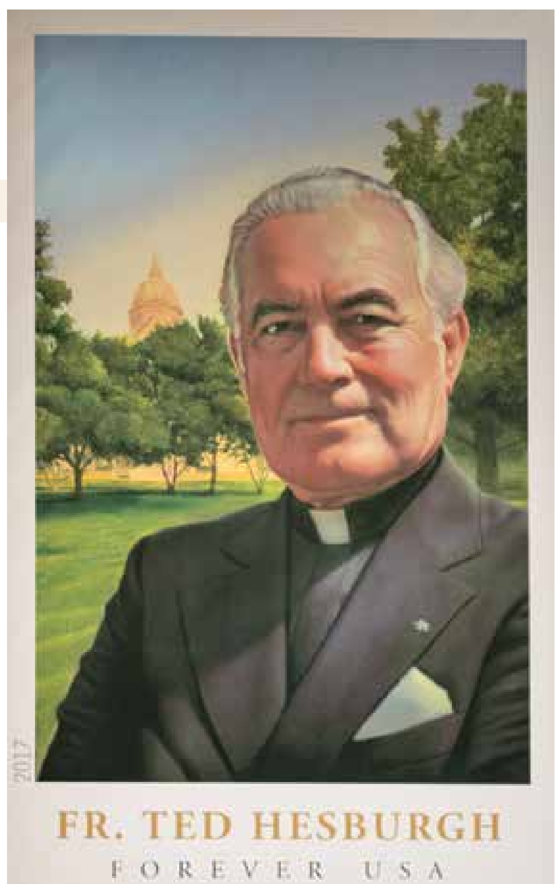
HISTORIC PROJECT COMES TO LIFE

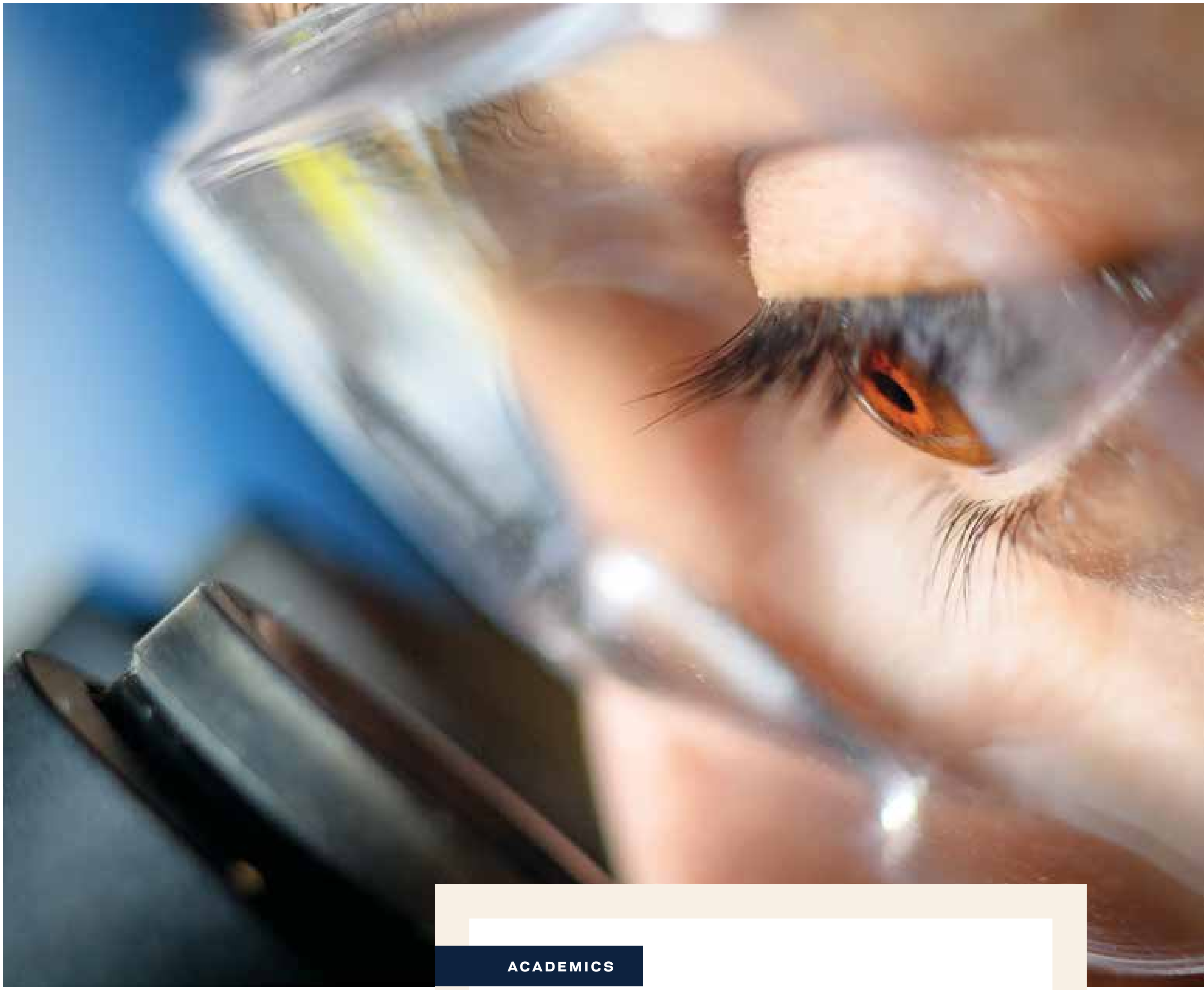
The largest construction project in the University's history came to a conclusion with the opening of three buildings surrounding Notre Dame Stadium—Corbett Family Hall, Duncan Student Center, and O'Neill Hall. The buildings house world-class teaching, research, performance, office, multimedia, and student life space. The project also provided new premium seating in the football stadium, as well as a video board and improvements to cellular and WiFi service, concessions, and concourses.

EVENTS

"FOREVER" FATHER HESBURGH

The U.S. Postal Service celebrated the legendary career of the late Rev. Theodore M. Hesburgh, C.S.C., Notre Dame's president from 1952 to 1987, with the on-campus unveiling of a 49-cent Forever stamp in his honor. The event featured remarks from Notre Dame alumna and former Secretary of State Condoleezza Rice, Postmaster General and Chief Executive Officer of the U.S. Postal Service Megan Brennan, and Notre Dame's president, Rev. John I. Jenkins, C.S.C.



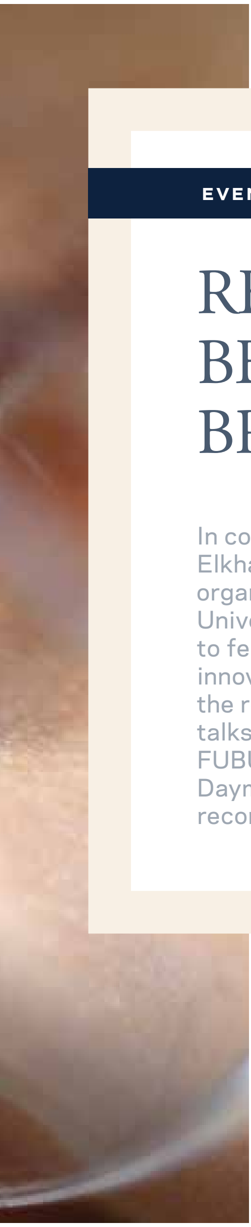


ACADEMICS

CONTINUED GROWTH IN RESEARCH FUNDING

$141.6 million
in research awards

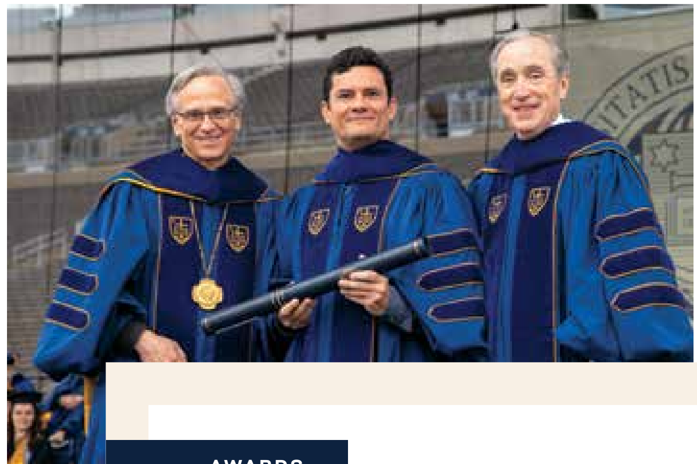
Faculty across the campus received $141.6 million in research awards in fiscal 2018, surpassing the University's previous record of $138.1 million awarded in fiscal 2017. The amount is part of a trend that has led to a 75 percent increase in external research funding awarded to Notre Dame compared to 10 years ago. Nearly 63 percent of the awards came from federal funding, 24 percent from foundation and other sponsor funding, and about 13 percent from industry.



EVENTS

REGION'S BEST AND BRIGHTEST

In collaboration with South Bend, Elkhart, and numerous community organizations and businesses, the University hosted its first IDEA Week to feature strides being made in innovation and entrepreneurship in the region. Featured events included talks by Zappos CEO Tony Hsieh and FUBU founder and *Shark Tank* star Daymond John, and a concert by recording artists The Chainsmokers.



AWARDS

SÉRGIO MORO: BRAZIL'S CRIME FIGHTER

Sérgio Moro, the Brazilian judge who has led the fight against corruption in his country, received an honorary degree and was the principal speaker at Notre Dame's 173rd University Commencement Ceremony. Earlier in the year, the University presented the Notre Dame Award to Moro at a ceremony in São Paulo. The Laetare Medal, Notre Dame's highest honor, was conferred during the commencement ceremony on Sister Norma Pimentel, a champion of immigrants and the executive director of Catholic Charities of the Rio Grande Valley.

AWARDS

NEH FELLOWSHIPS TOP HARVARD, ALL OTHERS

Notre Dame political scientist Susan Collins was awarded a 2018 fellowship from the National Endowment for the Humanities (NEH), extending the University's record success with the NEH. Since 1999, faculty in the College of Arts and Letters have won 62 NEH fellowships—more than any other university in the country. Harvard University, with 31, has the second highest number of fellowships for the same time period.

GLOBAL

SECOND IN THE NATION FOR STUDY ABROAD

The Institute of International Education ranked Notre Dame second among doctorate-granting universities for undergraduate participation in study abroad during the 2016–17 academic year, one place better than the previous year. Notre Dame International's study abroad office manages more than 50 semester study abroad programs in 25 countries around the world.

GLOBAL

FATHER JENKINS AT OXFORD: 800 YEARS OF GETTING IT RIGHT

Rev. John I. Jenkins, C.S.C., Notre Dame's president, was invited back to Oxford University, where he earned his doctoral degree in philosophy, to deliver a lecture titled "The Idea of a University Today." He said, in part: "It is important to remind ourselves that universities are among the most enduring of humankind's institutions. Oxford was founded roughly 800 years ago and continues to thrive today.... It is becoming more or less commonplace to hear that universities like Oxford and Notre Dame are soon to be disrupted by digital technology that, in its various manifestations, will create more efficient, less expensive, and more creative institutions of learning.... It would be a mistake, I think, for those of us in traditional universities to smugly dismiss this suggestion. Digital technology has changed and will continue to change the ways in which we interact with one another, learn, gather information, form communities, and do business.... Could the disruption be even more radical? Could universities be replaced by online communities in which instruction is exclusively delivered digitally, tests are taken and papers submitted online, assessment made at a distance?... I count myself a skeptic about these prophecies of radical disruption."

FAITH

A NEW DIGITAL PLATFORM FOR CATHOLIC MILLENNIALS

Notre Dame launched the Grotto Network, a digital media platform that provides resources to young Catholic adults through video storytelling, authentic online conversations, social campaigns, and tools for navigating careers, finance, personal wellness, and relationships.

APPOINTMENTS

NEW MEMBERS OF LEADERSHIP TEAM

The University appointed one new dean and two new vice presidents to the University's leadership team, effective fiscal year 2019. Sociologist Sarah Mustillo has succeeded John McGreevy as the I.A. O'Shaughnessy Dean of the College of Arts and Letters. John Gohsman, previously at Washington University in St. Louis, was appointed vice president and chief information officer. Rev. Gerard J. Olinger, C.S.C., is the new vice president for mission engagement and church affairs, succeeding Rev. William M. Lies, C.S.C., who was elected provincial superior of the Congregation of Holy Cross, U.S. Province of Priests and Brothers.

AWARDS

TOP PRODUCER OF FULBRIGHT STUDENTS FOR FOURTH STRAIGHT YEAR

Twenty-nine Notre Dame students and recent alumni were awarded Fulbright U.S. Student Program grants, second among all research institutions in the U.S., according to the U.S. Department of State's Bureau of Educational and Cultural Affairs. Established in 1964, The Fulbright Program is the U.S. government's flagship international educational exchange program, providing more than 380,000 students with the opportunity to exchange ideas and contribute to solutions to shared international concerns based on academic merit and leadership potential. This is the fourth consecutive year that Notre Dame has been recognized as a top Fulbright producer.

29

awarded Fulbright grants

EVENTS

80 YEARS OF NUCLEAR SCIENCE AT NOTRE DAME

Faculty, staff, and students affiliated with the Nuclear Science Laboratory celebrated its 80th anniversary. Originally called the Nuclear Structure Laboratory, it created an "atom smasher" that contributed to work on the Manhattan Project. The lab now includes three accelerators that are used to conduct research into nuclear astrophysics, nuclear structure, the half-life of radioactive particles, and environmental contaminants. Faculty also have installed a low-energy accelerator in an abandoned gold mine in South Dakota.

FACULTY

AUDI ELECTED TO AMERICAN ACADEMY OF ARTS AND SCIENCES

Robert Audi, John A. O'Brien Professor of Philosophy, was elected to the 2018 class of the American Academy of Arts and Sciences (AAAS). He is among 213 members elected to the 238th AAAS class, which includes former President Barack Obama, Supreme Court Justice Sonia M. Sotomayor, author Ta-Nehisi Coates, actor Tom Hanks, and Netflix CEO W. Reed Hastings Jr. Founded in 1780, AAAS is the nation's leading learned society. Audi is the 25th Notre Dame faculty member elected to the academy.

2018
CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

BOARD OF TRUSTEES
UNIVERSITY OF NOTRE DAME DU LAC

We have audited the accompanying consolidated financial statements of the University of Notre Dame du Lac and its subsidiaries (the "University") which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of changes in unrestricted net assets, of changes in net assets, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Notre Dame du Lac and its subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

CHICAGO, ILLINOIS
NOVEMBER 14, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands)

	As of June 30 2018	2017
Assets		
Cash and cash equivalents	$ 75,658	$ 80,255
Accounts receivable, net (Note 2)	60,252	44,237
Deferred charges and other assets (Note 3)	47,354	84,869
Contributions receivable, net (Note 4)	578,441	526,991
Notes receivable, net (Note 5)	25,365	29,391
Investments (Note 6)	13,387,347	11,989,974
Land, buildings and equipment, net of accumulated depreciation (Note 7)	2,400,339	2,182,862
TOTAL ASSETS	$ 16,574,756	$ 14,938,579
Liabilities		
Accounts payable (Note 7)	$ 71,705	$ 113,340
Short-term borrowing (Note 8)	151,475	246,250
Deferred revenue and refundable advances (Note 9)	140,500	118,342
Deposits and other liabilities (Note 10)	215,671	196,713
Liabilities associated with investments (Note 6)	1,474,606	1,272,108
Obligations under split-interest agreements (Note 16)	185,098	166,481
Bonds and notes payable (Note 11)	1,112,441	866,035
Pension and other postretirement benefit obligations (Note 13)	102,899	133,900
TOTAL LIABILITIES	3,454,395	3,113,169
Net Assets		
Unrestricted (Note 14)	5,844,129	5,212,904
Temporarily restricted (Note 14)	4,775,375	4,313,071
Permanently restricted (Note 14)	2,500,857	2,299,435
TOTAL NET ASSETS	13,120,361	11,825,410
TOTAL LIABILITIES AND NET ASSETS	$ 16,574,756	$ 14,938,579

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

(in thousands)

	Years ended June 30 2018	2017
Operating Revenues and Other Additions		
Tuition and fees	$ 629,612	$ 607,182
Less: Tuition scholarships and fellowships	(300,493)	(287,422)
NET TUITION AND FEES	329,119	319,760
Grants and contracts (Note 17)	140,219	133,176
Contributions	44,729	43,679
Accumulated investment return distributed (Note 6)	121,006	116,123
Sales and services of auxiliary enterprises	295,803	270,069
Other sources	56,519	52,740
TOTAL OPERATING REVENUES	987,395	935,547
Net assets released from restrictions (Note 14)	268,362	251,658
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,255,757	1,187,205
Operating Expenses		
Instruction	411,373	383,963
Research	138,989	129,668
Public service	42,006	37,293
Academic support	129,074	115,179
Student activities and services	59,070	53,274
General administration and support	234,593	218,183
Auxiliary enterprises	268,010	231,727
TOTAL OPERATING EXPENSES	1,283,115	1,169,287
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	(27,358)	17,918
Non-Operating Changes in Unrestricted Net Assets		
Contributions	29,182	22,664
Investment income (Note 6)	15,126	29,986
Net gain on investments (Note 6)	552,806	500,692
Accumulated investment return distributed (Note 6)	(121,006)	(116,123)
Net gain on debt-related derivative instruments (Note 12)	4,424	59,649
Net assets released from restrictions (Note 14)	169,241	162,066
Net pension and postretirement benefits-related changes other than net periodic benefits costs (Note 13)	28,793	19,163
Capital asset contribution to religious affiliate	(29,300)	-
Other non-operating changes	9,317	7,601
INCREASE IN UNRESTRICTED NET ASSETS FROM NON-OPERATING ACTIVITIES	658,583	685,698
INCREASE IN UNRESTRICTED NET ASSETS	$ 631,225	$ 703,616

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands)

	Years ended June 30 2018	2017
Unrestricted Net Assets		
Operating revenues and other additions	$ 1,255,757	$ 1,187,205
Operating expenses	(1,283,115)	(1,169,287)
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	(27,358)	17,918
INCREASE IN UNRESTRICTED NET ASSETS FROM NON-OPERATING ACTIVITIES	658,583	685,698
INCREASE IN UNRESTRICTED NET ASSETS	631,225	703,616
Temporarily Restricted Net Assets		
Contributions	216,244	140,658
Investment income (Note 6)	25,501	40,781
Net gain on investments (Note 6)	652,962	603,595
Change in value of split-interest agreements (Note 16)	4,539	8,782
Net assets released from restrictions (Note 14)	(437,603)	(413,724)
Other changes in temporarily restricted net assets	661	(11,510)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	462,304	368,582
Permanently Restricted Net Assets		
Contributions	201,244	155,834
Investment income (Note 6)	1,155	1,542
Net gain/(loss) on investments (Note 6)	131	(1,313)
Change in value of split-interest agreements (Note 16)	2,105	2,496
Other changes in permanently restricted net assets	(3,213)	4,643
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	201,422	163,202
INCREASE IN NET ASSETS	1,294,951	1,235,400
NET ASSETS AT BEGINNING OF YEAR	11,825,410	10,590,010
NET ASSETS AT END OF YEAR	$ 13,120,361	$ 11,825,410

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended June 30 2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ 1,294,951	$ 1,235,400
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on investments	(1,205,899)	(1,102,974)
Contributions for long-term investment	(220,707)	(196,911)
Contributed securities	(116,808)	(104,013)
Proceeds from sales of securities contributed for operations	14,557	8,582
Depreciation	84,054	70,342
Loss on disposal of land, buildings and equipment	3,141	2,230
Change in contributions receivable	(51,450)	42,280
Change in value of split-interest agreements	(6,290)	(10,996)
Change in pension and other postretirement benefit obligations	(31,001)	(21,237)
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	21,500	(39,859)
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	14,679	29,150
Other, net	2,098	2,464
NET CASH USED BY OPERATING ACTIVITIES	(197,175)	(85,542)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	5,301,620	3,993,912
Purchases of investments	(5,308,705)	(4,083,753)
Purchases of land, buildings and equipment	(309,428)	(409,877)
Student and other loans granted	(3,217)	(6,658)
Student and other loans repaid	7,078	5,654
NET CASH USED BY INVESTING ACTIVITIES	(312,652)	(500,722)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	2,208	5,409
Contributions for long-term investment	233,471	208,137
Proceeds from sales of securities contributed for long-term investment	97,031	94,536
Proceeds from short-term borrowing	2,058,353	1,220,736
Repayment of short-term borrowing	(2,153,127)	(1,109,533)
Payments to beneficiaries of split-interest agreements	(15,222)	(14,859)
Proceeds from bonds issued	398,689	-
Repayment of bonds and notes	(153,594)	(941)
Return of government advances for student loans	(7,324)	(3,894)
Cash accepted for investment on behalf of religious affiliates	73,167	183,631
Cash returned to religious affiliates	(28,422)	(23,310)
NET CASH PROVIDED BY FINANCING ACTIVITIES	505,230	559,912
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,597)	(26,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	80,255	106,607
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 75,658	$ 80,255
Supplemental Data		
Interest paid	$ 41,839	$ 36,720

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands)

NOTE 1.
Summary of Significant Accounting Policies
BASIS OF PRESENTATION

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

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

GRANTS AND CONTRACTS

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

AUXILIARY ENTERPRISES

The University's auxiliary enterprises are managed as self-supporting activities. Auxiliaries consist principally of intercollegiate athletics and other enterprises that provide goods and services to the campus community, such as residence and dining halls, retail food services, bookstore operations, and a campus hotel. Auxiliary enterprise revenues and related expenses are reported as changes in unrestricted net assets.

CASH AND CASH EQUIVALENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands)

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

DEBT-RELATED DERIVATIVE INSTRUMENTS

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

LAND, BUILDINGS AND EQUIPMENT

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

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

Conditional Asset Retirement Obligations

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

SPLIT-INTEREST AGREEMENTS

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

FAIR VALUE MEASUREMENTS

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

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

> Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
>
> Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
>
> Level 3—Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 14, 2018, the date the financial statements were issued. No events requiring disclosure were identified.

TAX STATUS

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

Under the Tax Cuts and Jobs Act (the "Act") enacted in December 2017 and effective July 1, 2018, the University will be subject to additional taxes going forward. The Act introduces excise taxes on investment returns and executive compensation and changes rules for calculating unrelated business taxable income. The University is continuing to evaluate the impact of the Act, the extent of which remains uncertain pending additional regulatory guidance.

RECLASSIFICATIONS

Certain fiscal 2017 amounts within the consolidated financial statements have been reclassified to conform to the 2018 presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)*. The ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which the entity expects to be entitled in exchange for goods and services. The FASB also issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* in June 2018, which is intended to assist entities in evaluating whether transactions are within the scope of contributions accounting or other guidance, particularly the provisions of the aforementioned ASU No. 2014-09. ASU 2014-09 and ASU 2018-08 are effective for fiscal years beginning after December 15, 2017, and June 15, 2018, respectively.

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

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

The University plans to adopt these standards during the year ending June 30, 2019. Although these standards introduce changes in presentation and enhance disclosures, they are not expected to materially impact the University's reported financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

NOTE 2.
Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	2018	2017
Research and other sponsored programs support	$ 32,688	$ 24,195
Student receivables	1,331	1,007
Other receivables	28,779	20,215
	62,798	45,417
Less allowances for uncollectible amounts	2,546	1,180
	$ 60,252	$ 44,237

NOTE 3.
Deferred Charges and Other Assets

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

	2018	2017
Prepaid expenses	$ 25,157	$ 27,063
Retail and other inventories	6,485	7,723
Goodwill	6,455	6,455
Beneficial interests in perpetual trusts (Note 14)	5,702	5,556
Debt-related derivative instruments (Note 12)	-	32,985
Other deferred charges	3,555	5,087
	$ 47,354	$ 84,869

NOTE 4.
Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	$ 185,192	$ 181,040
One year to five years	330,781	305,550
More than five years	233,654	163,893
	749,627	650,483
Less:		
Unamortized discounts	154,651	102,773
Allowances for uncollectible amounts	16,535	20,719
	171,186	123,492
	$ 578,441	$ 526,991

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2018 and 2017. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2018 and 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

	2018	2017
Temporarily restricted for:		
Operating purposes	$ 56,283	$ 44,195
Investment in land, buildings and equipment	184,753	150,236
Funds functioning as endowment (*Note 15*)	21,204	29,983
Total temporarily restricted (*Note 14*)	262,240	224,414
Permanently restricted for endowment (*Notes 14* and *15*)	316,201	302,577
	$ 578,441	$ 526,991

As of June 30, 2018, the University had received documented conditional pledges of $31,130 which are not reflected in the accompanying consolidated financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 5.
Notes Receivable

Notes receivable are summarized as follows at June 30:

	2018	2017
Student notes receivable, related to:		
Government sponsored loan programs	$ 19,815	$ 25,082
Institutional student loans	5,036	2,522
	24,851	27,604
Less allowances for uncollectible student notes	1,753	1,803
	23,098	25,801
Other notes receivable	2,267	3,590
	$ 25,365	$ 29,391

Government advances to the University for student loan funding, primarily under the Perkins Loan program, totaled $18,736 and $26,008 at June 30, 2018 and 2017, respectively. Due to significant restrictions that apply to government sponsored student loans, determining the fair value of student notes receivable is not practicable.

The estimated fair value of non-student notes receivable approximated the carrying amount at June 30, 2018 and 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

NOTE 6.
Investments

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

	2018	2017
Notre Dame Endowment Pool assets	$ 13,043,004	$ 11,727,618
Other investments, associated with:		
Endowment and funds functioning as endowment	9,084	35,155
Working capital and other University designations	131,681	44,043
Split-interest agreements (Note 16)	9,876	10,656
Defined benefit pension plan (Note 13)	193,702	172,502
	344,343	262,356
	$ 13,387,347	$ 11,989,974

Liabilities associated with investments include the following at June 30:

	2018	2017
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	$ 1,280,904	$ 1,099,606
Defined benefit pension plan (Note 13)	193,702	172,502
	$ 1,474,606	$ 1,272,108

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:

	2018	2017
NDEP assets	$ 13,043,004	$ 11,727,618
Equity interest in consolidated company[1]	66,529	66,529
NDEP net assets unitized	$ 13,109,533	$ 11,794,147

[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 $66,529 estimated fair value of the University's equity interest in the company is included in NDEP net assets for unitization purposes only.*

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:

	2018	2017
Endowment and funds functioning as endowment	$ 10,663,458	$ 9,269,598
Working capital and other University designations	924,799	1,177,985
Student loan funds	1,221	1,093
Split-interest agreements (Note 16)	239,151	245,865
Funds invested on behalf of religious affiliates[2]	1,280,904	1,099,606
	$ 13,109,533	$ 11,794,147

[2]*NDEP holdings were redeemable by religious affiliates at $5,799.00 and $5,247.36 per unit (whole dollars) at June 30, 2018 and 2017, respectively.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

Investment assets are summarized in the following tables by asset class at June 30, 2018 and 2017, respectively:

	2018		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 172,378	$ 77,026	$ 249,404
Public equities	5,684,875	48,097	5,732,972
Private equity	3,944,584	12,061	3,956,645
Multi-strategy	3,241,167	13,457	3,254,624
	13,043,004	150,641	13,193,645
Defined benefit pension plan investments (*Note 13*)	-	193,702	193,702
	$ 13,043,004	$ 344,343	$ 13,387,347

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

	2018	2017
Public equities	$ 96,246	$ 96,008
Private equity	1,720,474	1,501,626
Multi-strategy	702,143	711,699
	$ 2,518,863	$ 2,309,333

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2018 and 2017, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2018				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 30,149	$ 219,255	$ -	$ -	$ 249,404
Public equities:					
U.S.	1,533,044	-	-	588,830	2,121,874
Non-U.S.	732,514	-	-	1,882,389	2,614,903
Long/short strategies	-	-	-	996,195	996,195
Private equity	-	-	12,061	3,944,584	3,956,645
Multi-strategy:					
Opportunistic	85,721	-	177,578	1,410,211	1,673,510
Core diversifiers	-	-	-	749,134	749,134
Fixed income	200,812	289,944	16,977	324,247	831,980
	$ 2,582,240	$ 509,199	$ 206,616	$ 9,895,590	$ 13,193,645

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

At June 30, 2018 and 2017, the fair value of a Level 3 partnership investment in the opportunistic class was measured using a discounted cash flow technique, the significant unobservable input to which is the discount rate (10%). The fair value of the investment was $173,097 and $151,859 at June 30, 2018 and 2017, respectively.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2018:

	Beginning balance	*Acquisitions*	*Dispositions*	*Net gain/(loss)*	*Ending balance*
Private equity	$ 34,293	$ 2,084	$ (27,639)	$ 3,323	$ 12,061
Multi-strategy:					
Opportunistic	154,279	14,380	(1,989)	10,908	177,578
Fixed income	3,575	21,243	(7,707)	(134)	16,977
	$ 192,147	$ 37,707	$ (37,335)	$ 14,097	$ 206,616

During the year ended June 30, 2018, the University recognized net unrealized gains of $14,484 on investments still held at June 30, 2018, for which fair value is measured using Level 3 inputs. There were no transfers involving Levels 1 or 2 during the year ended June 30, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

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

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

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

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

INVESTMENT RETURN

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

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2018** *Total*	**2017** *Total*
Income, net	$ 15,126	$ 25,501	$ 1,155	$ 41,782	$ 72,309
Net gain/(loss):					
Realized	361,853	456,952	(153)	818,652	520,585
Unrealized	190,953	196,010	284	387,247	582,389
	552,806	652,962	131	1,205,899	1,102,974
	$ 567,932	$ 678,463	$ 1,286	$ 1,247,681	$ 1,175,283

Investment income is reported net of related expenses of $61,605 and $50,754 for the years ended June 30, 2018 and 2017, respectively. Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

	Unrestricted		*Temporarily*	**2018**	**2017**
	Operating	*Non-operating*	*restricted*	*Total*	*Total*
Endowment (Note 15)	$ 105,541	$ 22,878	$ 249,966	$ 378,385	$ 354,659
Working capital	15,465	-	-	15,465	14,361
	$ 121,006	$ 22,878	$ 249,966	$ 393,850	$ 369,020

NOTE 7.
Land, Buildings and Equipment

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

	2018	**2017**
Land and land improvements	$ 221,353	$ 166,196
Buildings	2,518,982	1,879,168
Equipment	347,783	314,392
Construction in progress	189,883	621,762
	3,278,001	2,981,518
Less accumulated depreciation	877,662	798,656
	$ 2,400,339	$ 2,182,862

Depreciation expense was $84,054 and $70,342 for the years ended June 30, 2018 and 2017, respectively.

The University recorded accounts payable and construction retainage associated with construction in progress costs of $29,378 and $15,136 respectively at June 30, 2018. Accounts payable and construction retainage associated with construction in progress costs were $71,816 and $26,431 respectively at June 30, 2017.

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

	2018	**2017**
Beginning of year	$ 24,354	$ 24,970
Obligations incurred	973	-
Obligations settled	(851)	(1,493)
Accretion expense	854	877
End of year (Note 10)	$ 25,330	$ 24,354

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

NOTE 8.
Short-term Borrowing

At June 30, 2018, the University maintained a $200,000 commercial paper program under which it could issue either standard or extendible municipal commercial paper through St. Joseph County, Indiana, on behalf of the University. Standard municipal commercial paper issues were supported by a $200,000 standby credit facility with a major commercial bank. Interest on commercial paper was either taxable or tax-exempt to investors, depending on the University's intended use of the proceeds. During the years ended June 30, 2018 and 2017, the University issued only taxable commercial paper for working capital purposes.

The University also maintained unsecured lines of credit with commercial banks in the aggregate amount of $375,000 to be utilized primarily for working capital purposes. Termination dates on lines of credit available at June 30, 2018, ranged from March 2019 to April 2021.

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

	2018	2017
Standard taxable commercial paper	$ 115,611	$ 95,250
Lines of credit	35,864	151,000
	$ 151,475	$ 246,250

Total costs incurred on short-term borrowing, including interest and related fees, were approximately $4,538 and $1,329 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9.
Deferred Revenue and Refundable Advances

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

	2018	2017
Deferred ticket sales and other revenues from intercollegiate athletics	$ 73,315	$ 47,895
Deferred tuition and other student revenues	14,560	18,385
Refundable advances for research and other sponsored programs	25,144	19,874
Government advances for student loans (Note 5)	18,736	26,008
Other deferred revenues	8,745	6,180
	$ 140,500	$ 118,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

NOTE 10.
Deposits and Other Liabilities

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

	2018	2017
Accrued compensation and employee benefits	$ 67,174	$ 60,697
Pledges payable	44,050	7,350
Conditional asset retirement obligations (Note 7)	25,330	24,354
Payroll and other taxes payable	13,771	13,958
Accrued interest expense	14,272	11,624
Construction retainage (Note 7)	15,136	26,431
Debt-related derivative instruments (Note 12)	14,493	21,451
Student organization funds and other deposits	5,805	4,967
Self-insurance reserves	5,064	5,472
Other liabilities	10,576	20,409
	$ 215,671	$ 196,713

NOTE 11.
Bonds and Notes Payable

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

	2018	2017
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 1,060,000	$ 660,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds[1]	7,890	160,578
	1,067,890	820,578
Obligations of consolidated company:		
Mortgage note payable	44,551	45,457
	$ 1,112,441	$ 866,035

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

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

2019	$ 864
2020	980
2021	1,021
2022	1,064
2023	1,109
Thereafter	1,107,403
	$ 1,112,441

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

TAXABLE FIXED RATE BONDS

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

	Fiscal year of maturity	*Rate of interest*	**2018**	**2017**
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	-
			$ 1,060,000	$ 660,000

Proceeds from the Series 2017 bonds were net of $1,311 in underwriter's discounts, which are reflected within operating expenses for the year ended June 30, 2018.

Interest costs incurred on Taxable Fixed Rate Bonds were $32,703 and $25,312 during the years ended June 30, 2018 and 2017, respectively.

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

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

	Year of maturity	*Rate of interest*	**2018**	**2017**
Series 1996	2026	6.50%	$ 7,890	$ 7,890
Series 2009[1]	2036	5.00%	-	152,688
			$ 7,890	$ 160,578

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

Interest costs incurred on SJC bonds were $5,395 and $7,644, respectively, for the years ended June 30, 2018 and 2017. Interest costs include $197 in amortization of the Series 2009 premium for the year ended June 30, 2017. The University recognized a gain of $6,123 on the unamortized Series 2009 premium following the repayment of those bonds during the year ended June 30, 2018. The gain is reflected within other non-operating changes in unrestricted net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

MORTGAGE NOTES

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 $1,851 and $1,888 related to the note are reflected within non-operating changes in unrestricted net assets for the years ended June 30, 2018 and 2017, respectively.

NOTE 12.
Derivative Instruments

The University utilizes interest rate swap agreements to manage interest rate risk associated with variable rate bonds. Although the University currently has no outstanding variable rate bonds, the University held several forward starting swap agreements at June 30, 2017, in anticipation of future bond issues. During the year ended June 30, 2018, the University received $30,452 in settlement of two swap agreements, resulting in a realized loss of $2,533. The remaining swaps were restructured and consolidated into a single forward starting swap. Under the terms of the single swap agreement in effect at June 30, 2018, the University would pay a fixed rate of 3.27 percent and receive a variable rate equal to 100 percent of the one-month London Interbank Offered Rate ("LIBOR") on a total notional amount of $154,894 for a thirty year term beginning March 1, 2021. The University also utilizes a variety of derivative instruments within the NDEP, which may include certain options contracts, forward currency contracts, and futures contracts, the balances and activity for which are insignificant.

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

The debt-related interest rate swap described above has credit-risk-related contingent features that could require the University to post collateral on the instrument when in a net liability position in the event of a downgrade to the rating on the University's debt. The aggregate fair value of interest rate swaps with credit-risk-related contingent features that were in liability positions was $14,493 and $21,451 at June 30, 2018 and 2017, respectively. If the credit-risk-related contingent features associated with these instruments had been triggered, the University would have been required to post collateral to its counterparties in an amount up to the full liability position of the instruments, depending on the level of the University's credit rating. Based on the quality of its credit rating, the University had posted no collateral associated with these instruments at either June 30, 2018, or June 30, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

The notional amounts and estimated fair values of debt-related interest rate swaps at June 30, 2018 and 2017, respectively, are summarized below along with net gains and losses for the respective years then ended:

		2018		2017
Notional amounts	$	154,894	$	354,894
Fair value, as reflected in the statements of financial position:				
Deferred charges and other assets (Note 3)	$	-	$	32,985
Deposits and other liabilities (Note 10)	$	14,493	$	21,451

Fair value measurements are based on observable interest rates that would fall within Level 2 of the hierarchy of fair value inputs. Gross and net-by-counterparty derivative assets and liabilities were the same at June 30, 2018 and 2017.

The net gain or loss on debt-related interest rate swaps is reported as such within non-operating changes in unrestricted net assets. Net gains of $4,424 for the year ended June 30, 2018, consist of the aforementioned realized loss of $2,533 on the settlement of two swaps, offset by an unrealized gain of $6,957 on the change in fair value of the remaining swap in place at June 30, 2018. Net gains of $59,649 for the year ended June 30, 2017, represent changes in fair value. No periodic settlements were required during the years ended June 30, 2018 and 2017.

NOTE 13.
Pension and Other Postretirement Benefits

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty and exempt staff participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operated under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also participate in the plan on a voluntary basis by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan, and may direct their contributions and the University's contributions on their behalf to plan investments. The University's share of the cost of these benefits was $35,574 and $32,956 for the years ended June 30, 2018 and 2017, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

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

	2018	2017
Liability for pension benefits:		
PBO at end of year	$ 253,300	$ 256,819
Less: Fair value of plan assets at end of year (*Note 6*)	193,702	172,502
	59,598	84,317
Liability for other postretirement benefits (APBO at year end)	43,301	49,583
	$ 102,899	$ 133,900

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2018	**2017**	**2018**	**2017**
Beginning of year	$ 256,819	$ 252,889	$ 49,583	$ 49,463
Service cost	7,885	8,323	2,187	2,639
Interest cost	10,107	9,897	1,676	1,853
Actuarial gain	(10,426)	(5,968)	(8,963)	(3,286)
Benefit payments	(8,801)	(8,322)	(1,182)	(1,086)
Gain due to curtailment	(2,284)	-	-	-
End of year	$ 253,300	$ 256,819	$ 43,301	$ 49,583

The accumulated benefit obligation associated with pension benefits was $231,277 and $230,594 at June 30, 2018 and 2017, respectively. A curtailment gain of $2,284 was recognized during the year ended June 30, 2018, for active participants who chose to move to the 403(b) Retirement Plan for future benefits effective January 1, 2018.

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

	2018	2017
Fair value of plan assets at beginning of year	$ 172,502	$ 147,215
Actual return on plan assets	13,501	18,109
Employer contributions	16,500	15,500
Benefit payments	(8,801)	(8,322)
Fair value of plan assets at end of year	$ 193,702	$ 172,502

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

	Pension benefits		*Other postretirement benefits*	
	2018	**2017**	**2018**	**2017**
Service cost	$ 7,885	$ 8,323	$ 2,187	$ 2,639
Interest cost	10,107	9,897	1,676	1,853
Expected return on plan assets	(11,323)	(10,574)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	4,305	5,324	117	1,028
Amortization of prior service cost/(credit)	598	432	(78)	(4,410)
	4,903	5,756	39	(3,382)
	$ 11,572	$ 13,402	$ 3,902	$ 1,110

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

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

	Pension benefits		*Other postretirement benefits*	
	2018	**2017**	**2018**	**2017**
Net actuarial gain	$ 14,888	$ 13,503	$ 8,963	$ 3,286
Adjustment for components of net periodic benefit cost recognized previously	4,903	5,756	39	(3,382)
	$ 19,791	$ 19,259	$ 9,002	$ (96)

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

	Pension benefits		*Other postretirement benefits*	
	2018	**2017**	**2018**	**2017**
Net loss	$ 51,840	$ 71,033	$ 3,251	$ 12,331
Prior service cost/(credit)	799	1,397	(31)	(109)
	$ 52,639	$ 72,430	$ 3,220	$ 12,222

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

The University expects to amortize the following as components of net periodic benefit cost during the year ending June 30, 2019:

	Pension benefits	*Other postretirement benefits*
Net loss	$ 2,701	$ -
Prior service cost/(credit)	358	(26)

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*	
	2018	**2017**	**2018**	**2017**
Discount rate	4.25%	4.00%	4.25%	4.00%
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 5.00% in 2024)			7.25%	7.50%

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

	Pension benefits		*Other postretirement benefits*	
	2018	**2017**	**2018**	**2017**
Discount rate	4.00%	4.00%	4.00%	4.00%
Expected long-term rate of return on plan assets	6.50%	6.75%		
Rate of compensation increase	3.00%	3.00%		
Health care cost trend rate (grading to 5.00% in 2024)			7.50%	7.50%

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

A one-percentage-point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO associated with postretirement medical benefits by approximately $108 and $632, respectively. A one-percentage-point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately $96 and $576, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2018, are as follows:

	Pension benefits	*Other postretirement benefits*
2019	$ 9,471	$ 1,570
2020	10,150	1,776
2021	10,888	2,001
2022	11,698	2,203
2023	12,552	2,409

Projected aggregate payments for pension benefits and other postretirement benefits for the five year period ending June 30, 2028, are $74,941 and $14,757, respectively. The University's estimated contributions to the defined benefit pension plan for the year ending June 30, 2019, are $12,000.

DEFINED BENEFIT PENSION PLAN ASSETS

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

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

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

	2018	**2017**	**Target**
Short-term investments	1.4%	2.5%	0.0%
Public equities	55.7%	53.7%	50.0%
Fixed income	19.9%	16.7%	15.0%
Hedge funds	13.0%	17.0%	20.0%
Private equity	8.5%	8.2%	10.0%
Real assets	1.5%	1.9%	5.0%
	100.0%	100.0%	100.0%

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

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

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

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

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

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

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

Fair value measurements of plan investments at June 30, 2018 and 2017, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2018				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 2,616	$ -	$ -	$ -	$ 2,616
Public equities:					
U.S.	52,147	-	-	13,641	65,788
Non-U.S.	14,715	-	-	27,315	42,030
Fixed income	38,516	-	-	-	38,516
Hedge funds	-	-	-	25,123	25,123
Private equity	-	-	-	16,478	16,478
Real assets	1,332	-	-	1,819	3,151
	$ 109,326	$ -	$ -	$ 84,376	$ 193,702

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

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 $22,520 and $17,097 were uncalled at June 30, 2018 and 2017, respectively.

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NOTE 14.
Net Assets

Unrestricted net assets consist of the following at June 30:

	2018	2017
Endowment funds (Note 15)	$ 4,370,115	$ 3,622,191
Other unrestricted net assets	1,474,014	1,590,713
	$ 5,844,129	$ 5,212,904

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

	2018	2017
Expendable funds restricted for:		
Operating purposes	$ 213,767	$ 179,706
Investment in land, buildings and equipment	291,772	268,417
Split-interest agreements (Note 16)	39,725	69,974
Endowment funds (Note 15):		
Accumulated appreciation on donor-restricted endowment	3,592,791	3,276,086
Funds functioning as endowment	637,320	518,888
	4,230,111	3,794,974
	$ 4,775,375	$ 4,313,071

As described in Note 4, temporarily restricted net assets include contributions receivable of $262,240 and $224,414 at June 30, 2018 and 2017, respectively.

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

	2018	2017
For operations:		
Scholarships and fellowships awarded	$ 96,813	$ 91,488
Expenditures for operating purposes	171,549	160,170
	268,362	251,658
For long-term investment	169,241	162,066
	$ 437,603	$ 413,724

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

	2018	2017
Endowment funds (Note 15)	$ 2,464,832	$ 2,267,771
Student loan funds	2,784	2,669
Split-interest agreements (Note 16)	27,539	23,439
Beneficial interests in perpetual trusts (Note 3)	5,702	5,556
	$ 2,500,857	$ 2,299,435

As reflected in *Notes 4* and *15*, permanently restricted endowment funds include $316,201 and $302,577 in contributions receivable at June 30, 2018 and 2017, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

NOTE 15.
Endowment

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

Endowment and funds functioning as endowment at June 30, 2018, are summarized below:

	Unrestricted (Note 14)	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 651,563	$ 1,547,549	$ 857,842	$ 3,056,954
Academic, religious and student programs	421,739	936,793	679,397	2,037,929
Faculty chairs	163,473	1,178,282	377,621	1,719,376
Capital projects	801,951	106,689	724	909,364
Athletics	164,369	112,364	44,507	321,240
Libraries	9,984	178,401	48,193	236,578
General operations	1,974,195	88,216	29,483	2,091,894
Other	182,841	60,613	110,864	354,318
	4,370,115	4,208,907	2,148,631	10,727,653
Contributions receivable (Note 4)	-	21,204	316,201	337,405
	$ 4,370,115	$ 4,230,111	$ 2,464,832	$ 11,065,058

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ -	$ 4,208,907	$ 2,148,631	$ 6,357,538
University-designated funds	4,370,115	-	-	4,370,115
	4,370,115	4,208,907	2,148,631	10,727,653
Contributions receivable (Note 4)	-	21,204	316,201	337,405
	$ 4,370,115	$ 4,230,111	$ 2,464,832	$ 11,065,058

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. There was no such unrealized depreciation at June 30, 2018, and June 30, 2017.

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

Changes in endowment and funds functioning as endowment for the years ended June 30, 2018 and 2017, respectively, are summarized as follows:

	2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ 3,622,191	$ 3,794,974	$ 2,267,771	$ 9,684,936
Contributions	25,680	18,279	199,676	243,635
Investment return:				
Investment income	16,884	23,877	1,135	41,896
Net gain on investments	469,228	652,793	5	1,122,026
Accumulated investment return distributed (Note 6)	(128,419)	(249,966)	-	(378,385)
Other changes, net[1]	364,551	(9,846)	(3,755)	350,950
	$ 4,370,115	$ 4,230,111	$ 2,464,832	$ 11,065,058

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

[1] *Reflects the 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, 2018, $325,000 in unrestricted net assets was formally designated as unrestricted funds functioning as endowment for the support of general operations of the University.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

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

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

	Unrestricted	*Temporarily restricted*	**2018** *Total*	**2017** *Total*
Operating purposes:				
Scholarships and fellowships	$ 23,393	$ 101,422	$ 124,815	$ 116,509
Academic, religious and student programs	5,890	65,433	71,323	64,661
Faculty chairs	6,543	61,206	67,749	65,679
Athletics	6,248	6,364	12,612	11,873
Libraries	436	9,160	9,596	9,526
General operations	62,542	5,077	67,619	64,471
Other	489	1,275	1,764	1,862
	105,541	249,937	355,478	334,581
Capital projects	22,878	29	22,907	20,078
	$ 128,419	$ 249,966	$ 378,385	$ 354,659

NOTE 16.
Split-Interest Agreements

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

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	**2018** *Total*	**2017** *Total*
Charitable trust assets, held in:					
NDEP (Note 6)	$ -	$ 139,986	$ 99,165	$ 239,151	$ 245,865
Other investments (Note 6)	-	6,557	3,319	9,876	10,656
	-	146,543	102,484	249,027	256,521
Less obligations[1] associated with:					
Charitable trusts	-	104,387	72,010	176,397	156,711
Charitable gift annuities	3,335	2,431	2,935	8,701	9,770
	3,335	106,818	74,945	185,098	166,481
	$ (3,335)	$ 39,725	$ 27,539	$ 63,929	$ 90,040

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands)

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust and based on the nature of the agreements are designated as funds functioning as endowment. The aggregate fair value of these assets was $35,609 and $31,897 at June 30, 2018 and 2017, respectively.

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

	Unrestricted	Temporarily restricted	Permanently restricted	2018 Total	2017 Total
Beginning of the year	$ (3,373)	$ 69,974	$ 23,439	$ 90,040	$ 77,717
Contributions:					
Assets received	60	12,250	5,432	17,742	16,045
Discounts recognized[1]	(32)	(8,868)	(3,864)	(12,764)	(11,226)
	28	3,382	1,568	4,978	4,819
Change in value of agreements:					
Investment return, net	-	16,770	10,595	27,365	28,500
Payments to beneficiaries	(426)	(8,876)	(5,920)	(15,222)	(14,859)
Actuarial adjustments and other changes in obligations	72	(3,355)	(2,570)	(5,853)	(2,645)
	(354)	4,539	2,105	6,290	10,996
Transfers and other changes, net	364	(38,170)	427	(37,379)	(3,492)
	$ (3,335)	$ 39,725	$ 27,539	$ 63,929	$ 90,040

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

NOTE 17.
Grants and Contracts

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

	Direct	Indirect	2018 Total	2017 Total
Provided for:				
Research	$ 100,495	$ 25,579	$ 126,074	$ 118,653
Other sponsored programs	13,618	527	14,145	14,523
	$ 114,113	$ 26,106	$ 140,219	$ 133,176

	Direct	Indirect	2018 Total	2017 Total
Provided by:				
Federal agencies	$ 78,928	$ 23,282	$ 102,210	$ 99,380
State and local agencies	1,665	34	1,699	803
Private organizations	33,520	2,790	36,310	32,993
	$ 114,113	$ 26,106	$ 140,219	$ 133,176

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands)

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $15,174 for the year ended June 30, 2018, including $7,196 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2017, were $14,651, including $6,836 in ROTC scholarships.

NOTE 18.
Contingencies and Commitments

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

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

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

2019	$	3,100
2020		3,056
2021		2,635
2022		2,400
2023		2,262
2024 through 2080		65,199
	$	78,652

At June 30, 2018, the University also has contractual commitments of approximately $107,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $270,000.

UNIVERSITY ADMINISTRATION

as of June 30, 2018

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as of June 30, 2018

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as of June 30, 2018