University of Notre Dame du Lac

Consolidated Financial Statements
for the years ended
June 30, 2014 and 2013

Contents

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the University of Notre Dame du Lac and its subsidiaries (the "University") which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Notre Dame du Lac and its subsidiaries at June 30, 2014 and 2013, and the changes in their unrestricted net assets, net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 18, 2014

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University of Notre Dame du Lac

Consolidated Statements of Financial Position

(in thousands)

	As of June 30	
	2014	**2013**
Assets		
Cash and cash equivalents	$ 94,259	$ 148,564
Accounts receivable, net (*Note 2*)	29,039	28,094
Deferred charges and other assets *(Note 3)*	47,367	49,472
Contributions receivable, net *(Note 4)*	307,175	197,703
Notes receivable, net *(Note 5)*	45,925	46,007
Investments *(Note 6)*	10,012,952	8,509,334
Land, buildings and equipment, net of accumulated depreciation *(Note 7)*	1,382,730	1,350,192
Total assets	$ 11,919,447	$ 10,329,366
Liabilities		
Accounts payable *(Note 7)*	$ 35,875	$ 43,324
Short-term borrowing *(Note 8)*	143,038	108,000
Deferred revenue and refundable advances *(Note 9)*	83,607	76,125
Deposits and other liabilities *(Note 10)*	97,162	98,907
Liabilities associated with investments *(Note 6)*	745,785	623,273
Obligations under split-interest agreements (*Note 17*)	121,979	107,779
Bonds and notes payable (*Note 11*)	668,532	821,920
Conditional asset retirement obligations (*Note 7*)	24,813	23,443
Pension and other postretirement benefit obligations (*Note 13*)	107,680	100,935
Government advances for student loans (*Note 5*)	29,670	29,525
Total liabilities	2,058,141	2,033,231
Net Assets		
Unrestricted *(Note 14)*	4,365,745	3,710,534
Temporarily restricted (*Note 15*)	3,822,008	3,070,159
Permanently restricted (*Note 15*)	1,673,553	1,515,442
Total net assets	9,861,306	8,296,135
Total liabilities and net assets	$ 11,919,447	$ 10,329,366

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac

Consolidated Statements of Changes in Unrestricted Net Assets

(in thousands)

	Years ended June 30 2014	2013
Operating Revenues and Other Additions		
Tuition and fees	$ 521,396	$ 504,325
Less: Tuition scholarships and fellowships	(233,080)	(226,857)
Net tuition and fees	288,316	277,468
Grants and contracts (*Note 18*)	109,809	105,260
Contributions	39,126	38,547
Accumulated investment return distributed (*Note 6*)	97,307	95,751
Sales and services of auxiliary enterprises	231,941	214,322
Other sources	47,320	45,741
Total operating revenues	813,819	777,089
Net assets released from restrictions (*Note 15*)	210,750	196,519
Total operating revenues and other additions	1,024,569	973,608
Operating Expenses		
Instruction	339,323	320,417
Research	107,325	107,901
Public service	27,446	22,847
Academic support	94,204	88,512
Student activities and services	46,111	44,532
General administration and support	179,888	178,353
Auxiliary enterprises	213,421	196,705
Total operating expenses	1,007,718	959,267
Increase in unrestricted net assets from operations	16,851	14,341
Non-Operating Changes in Unrestricted Net Assets		
Contributions	29,454	9,059
Investment income (*Note 6*)	52,216	35,730
Net gain on investments (*Note 6*)	626,762	338,035
Accumulated investment return distributed (*Note 6*)	(97,307)	(95,751)
Net gain/(loss) on debt-related derivative instruments (*Note 12*)	(6,560)	14,756
Net assets released from restrictions (*Note 15*)	42,475	40,861
Net pension and postretirement benefits-related changes other than net periodic benefits costs (*Note 13*)	(9,867)	23,639
Other non-operating changes	1,187	1,618
Increase in unrestricted net assets from non-operating activities	638,360	367,947
Increase in unrestricted net assets	$ 655,211	$ 382,288

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac

Consolidated Statements of Changes in Net Assets

(in thousands)

	Years ended June 30	
	2014	**2013**
Unrestricted Net Assets		
Operating revenues and other additions	$ 1,024,569	$ 973,608
Operating expenses	(1,007,718)	(959,267)
Increase in unrestricted net assets from operations	16,851	14,341
Increase in unrestricted net assets from non-operating activities	638,360	367,947
Increase in unrestricted net assets	655,211	382,288
Temporarily Restricted Net Assets		
Contributions	186,734	108,240
Investment income (*Note 6*)	60,086	40,552
Net gain on investments (*Note 6*)	740,809	397,637
Change in value of split-interest agreements (*Note 17*)	13,780	3,258
Net assets released from restrictions (*Note 15*)	(253,225)	(237,380)
Other changes in temporarily restricted net assets	3,665	1,697
Increase in temporarily restricted net assets	751,849	314,004
Permanently Restricted Net Assets		
Contributions	151,927	66,759
Investment income (*Note 6*)	2,615	1,571
Net gain/(loss) on investments (*Note 6*)	323	(6)
Change in value of split-interest agreements (*Note 17*)	6,032	668
Other changes in permanently restricted net assets	(2,786)	(570)
Increase in permanently restricted net assets	158,111	68,422
Increase in net assets	1,565,171	764,714
Net assets at beginning of year	8,296,135	7,531,421
Net assets at end of year	$ 9,861,306	$ 8,296,135

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac

Consolidated Statements of Cash Flows

(in thousands)	Years ended June 30 2014	2013
Cash Flows from Operating Activities		
Increase in net assets	$ 1,565,171	$ 764,714
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on investments	(1,367,894)	(735,666)
Contributions for long-term investment	(134,601)	(71,672)
Contributed securities	(91,291)	(76,709)
Proceeds from sales of securities contributed for operations	4,553	3,044
Depreciation	60,667	57,623
Loss on disposal of land, buildings and equipment	2,174	3,911
Change in contributions receivable	(109,472)	(5,978)
Change in value of split-interest agreements	(19,561)	(3,759)
Change in conditional asset retirement obligations	1,370	962
Change in pension and other postretirement benefit obligations	6,745	(22,187)
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	1,160	(10,426)
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	(1,712)	4,685
Other, net	7,666	(7,351)
Net cash used by operating activities	(75,025)	(98,809)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	2,345,649	1,695,528
Purchases of investments	(2,340,981)	(1,761,757)
Purchases of land, buildings and equipment	(98,748)	(111,775)
Student and other loans granted	(4,771)	(4,290)
Student and other loans repaid	5,129	18,987
Net cash used by investing activities	(93,722)	(163,307)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	5,187	3,166
Contributions for long-term investment	143,444	99,430
Proceeds from sales of securities contributed for long-term investment	83,749	72,104
Proceeds from short-term borrowing	913,381	462,289
Repayment of short-term borrowing	(878,343)	(469,340)
Payments to beneficiaries of split-interest agreements	(11,031)	(8,634)
Repayment of bonds and notes	(153,217)	(3,089)
Government advances for student loans	258	267
Cash accepted for investment on behalf of religious affiliates	21,216	178,809
Cash returned to religious affiliates	(10,202)	(12,879)
Net cash provided by financing activities	114,442	322,123
Net change in cash and cash equivalents	(54,305)	60,007
Cash and cash equivalents at beginning of year	148,564	88,557
Cash and cash equivalents at end of year	$ 94,259	$ 148,564
Supplemental Data		
Interest paid	$ 25,158	$ 27,276

See accompanying notes to consolidated financial statements.

NOTE 1.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

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

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

GRANTS AND CONTRACTS

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

AUXILIARY ENTERPRISES

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

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

CONTRIBUTIONS RECEIVABLE

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

NOTES RECEIVABLE

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

INVESTMENTS

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

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

Investments Held on Behalf of Other Entities

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

DEBT-RELATED DERIVATIVE INSTRUMENTS

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

LAND, BUILDINGS AND EQUIPMENT

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

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

Conditional Asset Retirement Obligations

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

SPLIT-INTEREST AGREEMENTS

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

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.

Fair value measurements of investment assets for which the measurement was based on NAV (or its equivalent) as provided by an external manager are categorized within Level 2 to the extent such investments were redeemable with the manager at the NAV (or its equivalent) at the reporting date or within the near term (defined by the University as within approximately 90 days of the reporting date). Measurements of any such investments that were not redeemable at the reporting date or within the near term, whether by nature of the investment or as a result of unexpired terms or conditions restricting redemption at the reporting date, are categorized within Level 3.

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

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 18, 2014, 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 (“IRC”), except to the extent the University generates unrelated business income.

RECLASSIFICATIONS

Certain amounts within fiscal 2013 operating expenses were reclassified to conform to 2014 presentation.

(All amounts in thousands)

NOTE 2.
ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at June 30:

	2014	2013
Research and other sponsored programs support	$ 17,310	$ 17,115
Student receivables	1,716	3,267
Other receivables	10,649	8,352
	29,675	28,734
Less allowances for uncollectible amounts	636	640
	$ 29,039	$ 28,094

Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2014 and 2013.

NOTE 3.
DEFERRED CHARGES AND OTHER ASSETS

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

	2014	2013
Debt-related derivative instruments (*Note 12*)	$ 3,830	$ 6,464
Retail and other inventories	10,027	10,412
Beneficial interests in perpetual trusts (*Note 15*)	5,720	5,172
Prepaid rental expenses	14,212	15,058
Other deferred charges and prepaid expenses	13,578	12,366
	$ 47,367	$ 49,472

NOTE 4.
CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	2014	2013
Unconditional promises expected to be collected in:		
Less than one year	$ 98,453	$ 85,011
One year to five years	164,677	108,586
More than five years	156,440	86,157
	419,570	279,754
Less:		
Unamortized discounts	90,148	61,148
Allowances for uncollectible amounts	22,247	20,903
	112,395	82,051
	$ 307,175	$ 197,703

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent and 0.39 percent to 6.91 percent at June 30, 2014 and 2013, respectively. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2014 and 2013.

(All amounts in thousands)

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

	2014	2013
Temporarily restricted for:		
Operating purposes	$ 43,658	$ 41,854
Investment in land, buildings and equipment	114,177	53,099
Funds functioning as endowment (*Note 16*)	10,394	9,618
Total temporarily restricted *(Note 15)*	168,229	104,571
Permanently restricted for endowment (*Notes 15 and 16*)	138,946	93,132
	$ 307,175	$ 197,703

As of June 30, 2014, the University had received documented conditional pledges of $35,630 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:

	2014	2013
Student notes receivable, related to:		
Government sponsored loan programs	$ 32,849	$ 33,069
Institutional student loans	845	979
	33,694	34,048
Less allowances for uncollectible student notes	2,153	2,153
	31,541	31,895
Other notes receivable	14,384	14,112
	$ 45,925	$ 46,007

Government advances to the University for student loan funding, primarily under the Perkins Loan program, totaled $29,670 and $29,525 at June 30, 2014 and 2013, respectively. Due to significant restrictions that apply to government sponsored student loans, determining the fair value of student notes receivable is not practicable.

Total balances on student notes receivable in past due status were $2,918 and $2,972 at June 30, 2014 and 2013, respectively. The delinquent portions of these balances were $1,709 and $1,664, respectively. Activity within allowances for uncollectible student notes was insignificant.

The estimated fair value of non-student notes receivable approximated the carrying amount at June 30, 2014 and 2013.

(All amounts in thousands)

NOTE 6.
INVESTMENTS

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

	2014	2013
Notre Dame Endowment Pool assets	$ 9,771,512	$ 8,305,995
Other investments, associated with:		
Endowment and funds functioning as endowment	53,583	42,145
Working capital and other University designations	20,619	16,146
Split-interest agreements (*Note 17*)	14,290	9,839
Revocable charitable trusts	-	3,164
Defined benefit pension plan (*Note 13*)	152,948	132,045
	241,440	203,339
	$ 10,012,952	$ 8,509,334

Liabilities associated with investments include the following at June 30:

	2014	2013
Notre Dame Endowment Pool liabilities	$ 63	$ 2,984
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	592,774	485,080
Revocable charitable trusts	-	3,164
Defined benefit pension plan (*Note 13*)	152,948	132,045
	$ 745,785	$ 623,273

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:

	2014	2013
NDEP assets	$ 9,771,512	$ 8,305,995
NDEP liabilities[1] *(Note 12)*	(63)	(2,984)
NDEP net assets reflected within the financial statements	9,771,449	8,303,011
Equity interest in consolidated company[2]	40,741	21,413
NDEP net assets unitized	$ 9,812,190	$ 8,324,424

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

[2]The University is the majority owner of an externally managed limited liability company, the assets and liabilities of which are reflected in the consolidated financial statements. However, the estimated fair value of the University's equity interest in the company, $40,741 and $21,413 at June 30, 2014 and 2013, respectively, is included in NDEP net assets for unitization purposes.

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

	2014	2013
Endowment and funds functioning as endowment	$ 7,944,227	$ 6,775,669
Working capital and other University designations	1,083,529	899,577
Student loan funds	925	785
Split-interest agreements (*Note 17*)	190,735	163,313
Funds invested on behalf of religious affiliates[3]	592,774	485,080
	$ 9,812,190	$ 8,324,424

[3]NDEP holdings were redeemable by religious affiliates at $4,371.38 and $3,777.10 per unit (whole dollars) at June 30, 2014 and 2013, respectively.

(All amounts in thousands)

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

Investment assets are summarized in the following tables by asset class at June 30, 2014 and 2013, respectively:

	2014		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 362,973	$ 651	$ 363,624
Public equities	3,685,945	72,063	3,758,008
Fixed income securities	486,059	8,077	494,136
Marketable alternatives	1,178,771	387	1,179,158
Private equity	2,770,434	2,749	2,773,183
Real estate	692,434	4,565	696,999
Other real assets	594,896	-	594,896
	9,771,512	88,492	9,860,004
Defined benefit pension plan investments (*Note 13*)	-	152,948	152,948
	$ 9,771,512	$ 241,440	$ 10,012,952

	2013		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 245,559	$ 345	$ 245,904
Public equities	2,858,611	57,842	2,916,453
Fixed income securities	426,432	7,892	434,324
Marketable alternatives	1,069,418	267	1,069,685
Private equity	2,359,154	3,045	2,362,199
Real estate	667,732	1,903	669,635
Other real assets	679,089	-	679,089
	8,305,995	71,294	8,377,289
Defined benefit pension plan investments (*Note 13*)	-	132,045	132,045
	$ 8,305,995	$ 203,339	$ 8,509,334

Short-term investments include cash and cash equivalents, money market funds, securities with short-term maturities (such as commercial paper and government securities held either directly or via commingled pools with daily liquidity) and the fair value of certain derivative instrument assets (see *Note 12* for further information about derivative instruments). Public equities cover the U.S. as well as both developed and emerging markets overseas, and long/short hedge funds. Marketable alternatives encompass other hedge fund strategies less correlated with broad equities markets. This includes credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. Private equity primarily includes domestic and foreign buyout and venture capital funds. Other real assets represents investments in energy and commodities.

(All amounts in thousands)

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

	2014	2013
Private equity	$ 1,085,667	$ 976,956
Real estate	197,155	207,173
Marketable alternatives	217,981	228,016
All other	164,880	145,871
	$ 1,665,683	$ 1,558,016

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2014 and 2013, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement:

	2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Short-term investments	$ 260,860	$ 102,764	$ -	$ 363,624
Public equities:				
U.S.	716,159	412,663	48,139	1,176,961
Non-U.S.	212,432	931,933	296,989	1,441,354
Long/short strategies	-	540,714	598,979	1,139,693
Fixed income securities	118,704	375,432	-	494,136
Marketable alternatives	-	681,777	497,381	1,179,158
Private equity	-	-	2,773,183	2,773,183
Real estate	38,517	-	658,482	696,999
Other real assets	489	3,085	591,322	594,896
	$ 1,347,161	$ 3,048,368	$ 5,464,475	$ 9,860,004

	2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Short-term investments	$ 214,119	$ 31,785	$ -	$ 245,904
Public equities:				
U.S.	346,541	326,025	35,186	707,752
Non-U.S.	164,265	783,618	227,659	1,175,542
Long/short strategies	-	461,847	571,312	1,033,159
Fixed income securities	124,582	309,742	-	434,324
Marketable alternatives	-	576,649	493,036	1,069,685
Private equity	-	-	2,362,199	2,362,199
Real estate	31,080	-	638,555	669,635
Other real assets	108,680	26,496	543,913	679,089
	$ 989,267	$ 2,516,162	$ 4,871,860	$ 8,377,289

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

(All amounts in thousands)

Other investments categorized within Levels 2 and 3 primarily reflect assets invested with external managers, the fair value measurements for which are generally based on NAV (or the equivalent) as provided to the University by the external managers. Investments in funds within public equities and marketable alternatives redeemable at NAV (or its equivalent) at the measurement date or within the near term are reflected in Level 2, while funds that are subject to restrictions that limit the University's ability to withdraw capital within the near term are reflected in Level 3. Redemption terms for these funds generally restrict withdrawals of capital for a defined "lock-up" period after investment, and thereafter typically allow withdrawals on a quarterly or annual basis with notice periods ranging from 30 to 180 days. Lock-up periods for funds reflected in Level 3 generally expire during the period from six months to 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 within private equity, real estate and other real assets, as well as certain marketable alternatives funds, are not redeemable at the direction of the investor and are reflected in Level 3. These funds make distributions to investing partners as the underlying assets of the funds are liquidated. The University expects the underlying assets of these funds to be substantially liquidated over the next five to ten years, the timing of which would vary by fund and depend on market conditions as well as other factors.

At June 30, 2014 and 2013, the fair value of a single Level 3 investment within the private equity asset class was measured based on inputs other than NAV. The techniques and significant unobservable inputs used in the June 30, 2013 valuation of this investment are summarized below:

Asset description	*Fair value at June 30, 2013*	*Valuation Technique*	*Significant Unobservable Inputs*
Private company stock	$ 68,466	Market comparable companies	EBITDA multiple (9.4x)
		Discounted cash flow	Discount rate (12.5%) Terminal multiple (6.5x)

Management exercised judgment in weighting the techniques used in the valuation. At June 30, 2014, shares in this investment are measured based on recent transaction activity. The $72,275 fair value of the investment at June 30, 2014 is reflected within Level 3 private equity investments, as the University's shares are subject to a restriction on liquidation that extends until January 2015.

(All amounts in thousands)

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

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gains*	*Transfers out of Level 3*[1]	*Ending Balance*
Public equities:						
U.S.	$ 35,186	$ 30,000	$ (4,192)	$ 5,225	$ (18,080)	$ 48,139
Non-U.S.	227,659	22,990	-	148,727	(102,387)	296,989
Long/short strategies	571,312	115,000	-	17,129	(104,462)	598,979
Marketable alternatives	493,036	189,838	(91,918)	39,251	(132,826)	497,381
Private equity	2,362,199	373,625	(598,811)	636,170	-	2,773,183
Real estate	638,555	61,513	(81,983)	40,397	-	658,482
Other real assets	543,913	55,899	(107,512)	99,022	-	591,322
	$ 4,871,860	$ 848,865	$ (884,416)	$ 985,921	$ (357,755)	$ 5,464,475

[1]*Marketable alternatives include $152,940 in transfers out of Level 3 to Level 2, net of transfers into Level 3 from Level 2 of $20,114.*

During the year ended June 30, 2014, the University recognized net unrealized gains of $581,434 on investments still held at June 30, 2014 for which fair value is measured using Level 3 inputs. Except as noted above, transfers out of Level 3 to Level 2 are reflected on a gross basis by asset class and represent the migration of assets measured at fair value based on NAV (or its equivalent) that were eligible for redemption at the reporting date or within the near term. There were no transfers in or out of Level 1 during the year ended June 30, 2014.

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, 2013:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gains*	*Transfers out of Level 3*	*Ending Balance*
Public equities:						
U.S.	$ 135,106	$ -	$ (42,572)	$ 14,197	$ (71,545)	$ 35,186
Non-U.S.	270,314	62,730	(5,637)	36,612	(136,360)	227,659
Long/short strategies	493,360	85,657	(3,299)	99,532	(103,938)	571,312
Marketable alternatives	462,647	165,229	(175,088)	80,870	(40,622)	493,036
Private equity	2,280,293	299,143	(453,227)	235,990	-	2,362,199
Real estate	589,572	82,879	(70,728)	36,832	-	638,555
Other real assets	538,943	62,244	(64,357)	7,083	-	543,913
	$ 4,770,235	$ 757,882	$ (814,908)	$ 511,116	$ (352,465)	$ 4,871,860

During the year ended June 30, 2013, the University recognized net unrealized gains of $208,410 on investments still held at June 30, 2013 for which fair value is measured using Level 3 inputs. Transfers out of Level 3 to Level 2 are reflected on a gross basis by asset class and represent the migration of assets measured at fair value based on NAV (or its equivalent) that were eligible for redemption at the reporting date or within the near term. There were no transfers in or out of Level 1 during the year ended June 30, 2013.

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

(All amounts in thousands)

INVESTMENT RETURN

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

	2014	**2013**
Investment income, net	$ 114,917	$ 77,853
Net gain on investments:		
Realized gains, net	499,162	380,738
Unrealized gains, net	868,732	354,928
	1,367,894	735,666
	$ 1,482,811	$ 813,519

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2014** *Total*	**2013** *Total*
Investment income, net	$ 52,216	$ 60,086	$ 2,615	$ 114,917	$ 77,853
Net gain on investments	626,762	740,809	323	1,367,894	735,666
	$ 678,978	$ 800,895	$ 2,938	$ 1,482,811	$ 813,519

Investment income is reported net of related expenses of $38,381 and $28,055 for the years ended June 30, 2014 and 2013, respectively. Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations.

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*	**2014**	**2013**
	Operating	*Non-operating*	*restricted*	*Total*	*Total*
Endowment (*Note 16*)	$ 67,422	$ 15,501	$ 187,825	$ 270,748	$ 256,641
Working capital	29,885	-	-	29,885	30,631
	$ 97,307	$ 15,501	$ 187,825	$ 300,633	$ 287,272

(All amounts in thousands)

NOTE 7.
LAND, BUILDINGS AND EQUIPMENT

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

	2014	2013
Land and land improvements	$ 148,568	$ 124,632
Buildings	1,538,367	1,456,549
Equipment	270,643	255,478
Construction in progress	49,488	80,988
	2,007,066	1,917,647
Less accumulated depreciation	624,336	567,455
	$ 1,382,730	$ 1,350,192

Depreciation expense was $60,667 and $57,623 for the years ended June 30, 2014 and 2013, respectively.

The University recorded accounts payable associated with construction in progress costs of $14,929 and $14,521 at June 30, 2014 and 2013, respectively.

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

	2014	2013
Beginning of year	$ 23,443	$ 22,481
New obligations recognized	-	545
Obligations settled	(586)	(408)
Accretion expense	845	825
Revisions in estimated cash flows	1,111	-
End of year	$ 24,813	$ 23,443

(All amounts in thousands)

NOTE 8.
SHORT-TERM BORROWING

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

The University also maintains unsecured lines of credit with commercial banks in the aggregate amount of $300,000 to be utilized primarily for working capital purposes. Termination dates on lines of credit available at June 30, 2014 ranged from January 2015 to March 2018.

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

	2014	2013
Standard taxable commercial paper	$ 85,038	$ -
Lines of credit	58,000	108,000
	$ 143,038	$ 108,000

Total interest costs incurred on short-term borrowing were approximately $291 and $105 for the years ended June 30, 2014 and 2013, respectively.

NOTE 9.
DEFERRED REVENUE AND REFUNDABLE ADVANCES

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

	2014	2013
Deferred ticket sales and other revenues from intercollegiate athletics	$ 47,309	$ 46,234
Deferred tuition and other student revenues	11,190	13,765
Refundable advances for research and other sponsored programs	22,787	13,876
Other deferred revenues	2,321	2,250
	$ 83,607	$ 76,125

NOTE 10.
DEPOSITS AND OTHER LIABILITIES

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

	2014	2013
Debt-related derivative instruments (*Note 12*)	$ 11,922	$ 13,272
Accrued compensation and employee benefits	42,969	37,248
Payroll and other taxes payable	11,746	11,661
Student organization funds and other deposits	7,755	9,182
Self-insurance reserves	8,090	8,619
Accrued interest expense, pledges payable and other liabilities	14,680	18,925
	$ 97,162	$ 98,907

(All amounts in thousands)

NOTE 11.
BONDS AND NOTES PAYABLE

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

	2014	2013
Obligations of the University:		
St. Joseph County (Indiana) Educational Facilities Revenue Bonds[1]	$ 356,252	$ 358,973
Series 2012 Taxable Fixed Rate Bonds	100,000	100,000
Series 2010 Taxable Fixed Rate Bonds	160,000	160,000
Series 2009 Taxable Fixed Rate Notes	-	150,000
Mortgage notes payable	15,435	15,435
	631,387	784,408
Obligations of consolidated company:		
Mortgage note payable	36,845	37,512
	$ 668,532	$ 821,920

[1]*Includes the unamortized Series 2009 bond premium of $6,687 and $6,858 at June 30, 2014 and 2013, respectively.*

The estimated fair value of bond and note obligations was $724,214 and $832,968 at June 30, 2014 and 2013, respectively. Fair value measurements of bonds and notes are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The aggregate scheduled maturities of bonds and notes payable are summarized by fiscal year as follows:

2015	$ 3,345
2016	38,865
2017	3,327
2018	3,432
2019	2,748
Thereafter	610,128
	$ 661,845

The Series 2012 Taxable Fixed Rate Bonds bear interest at a fixed rate of 3.72 percent and are due March 1, 2043.

The Series 2010 Taxable Fixed Rate Bonds bear interest at a fixed rate of 4.90 percent and are due March 1, 2041.

The Series 2009 Taxable Fixed Rate Notes bore interest at a fixed rate of 4.141 percent and were repaid in September 2013.

Proceeds from Taxable Fixed Rate Bonds and Notes bear no restrictions on use and constitute unsecured general obligations of the University. The associated interest is taxable to investors. Interest costs incurred on Taxable Fixed Rate Bonds and Notes were $12,595 and $17,772 during the years ended June 30, 2014 and 2013, respectively.

Mortgage notes in the amount of $15,435 bear interest at a fixed rate of 1.103 percent and are due on July 1, 2042. These notes are collateralized by the facilities to which they relate. The University incurred interest costs of $173 on the notes during the years ended June 30, 2014 and 2013.

(All amounts in thousands)

The University is the majority owner of an externally managed 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 bearing interest at 5.68 percent, due on February 1, 2016. The note is not a general obligation of the University and is fully collateralized by the property acquired. Interest costs of $2,031 and $2,136 related to the note are reflected within non-operating changes in unrestricted net assets for the years ended June 30, 2014 and 2013, 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 issues were outstanding at June 30:

	Outstanding through	*Current rate of interest*[1]	**2014**	**2013**
Issues bearing variable rates:				
Series 2003	2038	0.040%	$ 45,110	$ 47,660
Series 2005	2040	0.020%	75,000	75,000
Series 2007	2042	0.040%	75,000	75,000
			195,110	197,660
Issues bearing fixed rates:				
Series 1996	2026	6.500%	7,890	7,890
Series 2009[2]	2036	5.000%	153,252	153,423
			161,142	161,313
			$ 356,252	$ 358,973

[1]*Variable rates reset weekly. Represents annual percentage rate in effect at June 30, 2014.*

[2]*Carrying amount includes the unamortized premium of $6,687 and $6,858 at June 30, 2014 and 2013, respectively.*

In the event the University receives notice of any optional tender of the variable rate SJC bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. The University maintains standby credit facilities with commercial banks to provide alternative liquidity to support the repurchase of tendered variable rate SJC bonds in the event they are unable to be remarketed. Financing obtained through standby credit facilities to fund the repurchase of such bonds would bear interest rates different from those associated with the original bond issues, and mature over the five year period following repurchase. The standby credit facilities in effect at June 30, 2014 expire in February and May 2015.

The University utilizes interest rate swap agreements (see also *Note 12*) as a strategy for managing interest rate risk associated with variable rate SJC bond issues. Under the terms of swap agreements in effect at June 30, 2014, the University pays fixed rates ranging from 2.01 percent to 4.97 percent and receives variable rates equal to 67 percent or 70 percent of the one-month or three-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $188,755. The estimated fair value of interest rate swaps was a net unrealized loss position of $8,092 and $6,808 at June 30, 2014 and 2013, respectively.

(All amounts in thousands)

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

	2014				2013			
		Interest expense[1]		*Net periodic settlements*		*Interest expense*[1]		*Net periodic settlements*
Issues bearing variable rates	$	75	$	5,276	$	227	$	5,342
Issues bearing fixed rates		7,670				7,677		-
	$	7,745	$	5,276	$	7,904	$	5,342

[1]*Includes amortization of Series 2009 premium of $171 and $164 for the years ended June 30, 2014 and 2013, respectively. The premium is amortized using the effective interest method over the period the bonds are outstanding.*

NOTE 12.
DERIVATIVE INSTRUMENTS

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

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

Collateral associated with NDEP derivatives is moved as required by market fluctuations, and is generally in the form of cash or cash equivalents. Interest rate swaps associated with the University's variable rate bonds have credit-risk-related contingent features that could require the University to post collateral on instruments in net liability positions in the event of a downgrade to the rating on the University's debt. The aggregate fair value of interest rate swaps with credit-risk-related contingent features that were in liability positions was $11,922 and $13,272 at June 30, 2014 and 2013, respectively. If the credit-risk-related contingent features associated with these instruments had been triggered, the University would have been required to post collateral to its counterparties in an amount up to the full liability position of the instruments, depending on the level of the University's credit rating. Based on the quality of its credit rating, the University had posted no collateral associated with these instruments at June 30, 2014.

(All amounts in thousands)

The estimated fair values of derivative assets and liabilities, certain of which are reflected on a net-by-counterparty basis within the consolidated statements of financial position, are summarized in the table below at June 30, 2014, along with the net gains and losses for the year then ended:

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

[1] Includes interest rate contracts at June 30, 2014.
[2]Fair value measurements of over-the-counter derivative instruments are based on observable inputs, such as relevant interest rates and commodity prices, that fall within Level 2 of the hierarchy of fair value inputs.
[3]Futures contracts are exchange-traded. Fair value is based on quoted prices that fall within Level 1 of the hierarchy of fair value inputs. Notional amount on futures at June 30, 2014 represents long exposures.

The estimated fair values of derivative assets and liabilities, certain of which are reflected on a net-by-counterparty basis within the consolidated statements of financial position, are summarized in the table below at June 30, 2013, along with the net gains and losses for the year then ended:

	Notional amounts	Derivative assets	Derivative liabilities	Net gain/(loss)
NDEP derivatives:				
Options contracts[1]:				
Interest rates	$ 511,024	$ 6,665	$ -	$ 7,096
Commodities	290,913	36	-	(3,330)
Foreign currency	400,000	1,133	-	10,155
Equity contracts[1]	20,488	81	2,261	3,758
Forward currency contracts[1]	2,731	1	2	(909)
Futures contracts[2]	86,084	-	722	(1,036)
Gross value		7,916	2,985	15,734
Counterparty netting		(1)	(1)	-
Net by counterparty		$ 7,915	$ 2,984	$ 15,734
Debt-related derivatives:				
Interest rate contracts[1]	$ 192,500	$ 6,464	$ 13,272	$ 14,756

[1]Fair value measurements of over-the-counter derivative instruments are based on observable inputs, such as relevant interest rates and commodity prices, that fall within Level 2 of the hierarchy of fair value inputs.
[2]Futures contracts are exchange-traded. Fair value is based on quoted prices that fall within Level 1 of the hierarchy of fair value inputs. Notional amount on futures at June 30, 2013 represents long exposures.

(All amounts in thousands)

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

		2014		2013
NDEP derivatives:				
Investments[1]	$	2,178	$	7,915
Liabilities associated with investments (*Note 6*)		63		2,984
Debt-related derivatives:				
Deferred charges and other assets (*Note 3*)	$	3,830	$	6,464
Deposits and other liabilities (*Note 10*)		11,922		13,272

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

Certain options contracts may be employed within the NDEP with the intent of protecting the investment portfolio against significant fluctuations in interest rates, commodity prices and other market fluctuations. Options contracts held in the NDEP are fully collateralized at June 30, 2014. Forward currency contracts are utilized to settle planned purchases or sales, for investment purposes, and to mitigate the impact of exchange rate fluctuations on the U.S. dollar value of NDEP international holdings. A variety of currency, interest rate, equity, bond and commodities futures contracts are also employed in the NDEP to manage exposure to various financial markets.

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

(All amounts in thousands)

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 any of the fund sponsors: Fidelity, TIAA-CREF and Vanguard. The University's share of the cost of these benefits was $28,096 and $26,558 for the years ended June 30, 2014, and 2013, 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 after one year of qualifying service. Retirement benefits are based on the employee's total years of service and final average pay as defined by the plan. Plan participants are fully vested after five years of service. The University funds the plan with annual contributions that meet minimum requirements under the Employee Retirement Income Security Act of 1974 and Pension Protection Act of 2006.

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

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

	2014	**2013**
Liability for pension benefits:		
PBO at end of year	$ 220,194	$ 196,505
Less: Fair value of plan assets at end of year (*Note 6*)	152,948	132,045
	67,246	64,460
Liability for other postretirement benefits (APBO at year end)	40,434	36,475
	$ 107,680	$ 100,935

(All amounts in thousands)

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2014	**2013**	**2014**	**2013**
Beginning of year	$ 196,505	$ 204,977	$ 36,475	$ 38,295
Service cost	6,687	7,339	2,054	2,174
Interest cost	9,586	8,928	1,724	1,595
Plan amendments	-	-	(178)	(199)
Actuarial loss/(gain)	14,610	(17,557)	1,306	(4,503)
Benefit payments	(7,194)	(7,182)	(947)	(887)
End of year	$ 220,194	$ 196,505	$ 40,434	$ 36,475

The accumulated benefit obligation associated with pension benefits was $190,236 and $168,647 at June 30, 2014 and 2013, respectively.

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

	2014	**2013**
Fair value of plan assets at beginning of year	$ 132,045	$ 120,150
Actual return on plan assets	18,755	12,286
Employer contributions	9,342	6,791
Benefit payments	(7,194)	(7,182)
Fair value of plan assets at end of year	$ 152,948	$ 132,045

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*	
	2014	**2013**	**2014**	**2013**
Service cost	$ 6,687	$ 7,339	$ 2,054	$ 2,174
Interest cost	9,586	8,928	1,724	1,595
Expected return on plan assets	(10,031)	(9,954)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	3,190	4,494	1,183	1,685
Amortization of prior service cost/(credit)	433	432	(7,659)	(7,563)
	3,623	4,926	(6,476)	(5,878)
	$ 9,865	$ 11,239	$ (2,698)	$ (2,109)

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

(All amounts in thousands)

Gains or losses and other changes in the actuarially determined benefit obligations arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statements of changes in 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 increase (decrease) in unrestricted net assets related to pension and other postretirement benefits is summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2014	**2013**	**2014**	**2013**
Net actuarial gain/(loss)	$ (5,886)	$ 19,889	$ (1,306)	$ 4,503
Plan amendments	-	-	178	199
Adjustment for components of net periodic benefit cost recognized previously	3,623	4,926	(6,476)	(5,878)
	$ (2,263)	$ 24,815	$ (7,604)	$ (1,176)

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*	
	2014	**2013**	**2014**	**2013**
Net loss	$ 57,109	$ 54,413	$ 16,505	$ 16,382
Prior service cost/(credit)	2,693	3,126	(19,787)	(27,268)
	$ 59,802	$ 57,539	$ (3,282)	$ (10,886)

The University expects to amortize the following as components of net periodic benefit cost during the year ending June 30, 2015:

	Pension benefits	*Other postretirement benefits*
Net loss	$ 3,603	$ 1,266
Prior service cost/(credit)	432	(7,659)

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*	
	2014	**2013**	**2014**	**2013**
Discount rate	4.50%	5.00%	4.50%	5.00%
Rate of compensation increase	4.00%	4.00%	-	-
Health care cost trend rate (grading to 5.00% in 2021)	-	-	7.25%	7.50%

(All amounts in thousands)

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

	Pension benefits		*Other postretirement benefits*	
	2014	**2013**	**2014**	**2013**
Discount rate	5.00%	4.50%	5.00%	4.50%
Expected long-term rate of return on plan assets	7.75%	8.00%		
Rate of compensation increase	4.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2018)			7.50%	8.00%

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 $148 and $920, 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 $133 and $840, respectively.

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2014 are as follows:

	Pension Benefits	*Other postretirement benefits*
2015	$ 7,816	$ 1,359
2016	8,239	1,571
2017	8,763	1,809
2018	9,343	2,079
2019	10,017	2,330

Projected aggregate payments for pension benefits and other postretirement benefits for the five year period ending June 30, 2024 are $61,784 and $15,454, respectively. The University's estimated contributions to the defined benefit pension plan for the year subsequent to June 30, 2014 are $6,700.

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.

(All amounts in thousands)

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

	2014	2013	Target
Short-term investments	3.1%	4.3%	0.0%
Public equities	47.4%	39.6%	45.0%
Fixed income securities	17.7%	18.0%	15.0%
Hedge funds	18.0%	22.8%	20.0%
Private equity	7.4%	7.0%	10.0%
Real assets	6.4%	8.3%	10.0%
	100.0%	100.0%	100.0%

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

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

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

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

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, 2014 are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement:

	Level 1	*Level 2*	*Level 3*	*Total*
Short-term investments	$ 4,717	$ -	$ -	$ 4,717
Public equities:				
U.S.	20,704	18,708	-	39,412
Non-U.S.	12,209	18,013	2,790	33,012
Fixed income securities	27,081	-	-	27,081
Hedge funds	-	10,305	17,286	27,591
Private equity	-	-	11,260	11,260
Real assets	3,793	35	6,047	9,875
	$ 68,504	$ 47,061	$ 37,383	$ 152,948

(All amounts in thousands)

Fair value measurements of plan investments at June 30, 2013 are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement:

	Level 1	*Level 2*	*Level 3*	*Total*
Short-term investments	$ 5,661	$ -	$ -	$ 5,661
Public equities:				
U.S.	11,122	13,164	-	24,286
Non-U.S.	9,957	12,829	5,297	28,083
Fixed income securities	23,809	-	-	23,809
Hedge funds	-	10,923	19,181	30,104
Private equity	-	-	9,217	9,217
Real assets	4,549	299	6,037	10,885
	$ 55,098	$ 37,215	$ 39,732	$ 132,045

Changes in plan investments for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2014:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gains*[1]	*Transfers out of Level 3*	*Ending Balance*
Public equities:						
Non-U.S.	$ 5,297	$ -	$ -	$ 283	$ (2,790)	$ 2,790
Hedge funds	19,181	6,000	(164)	2,040	(9,771)	17,286
Private equity	9,217	2,045	(1,983)	1,981	-	11,260
Real assets	6,037	128	(1,107)	989	-	6,047
	$ 39,732	$ 8,173	$ (3,254)	$ 5,293	$ (12,561)	$ 37,383

[1]*Included in the actual return on plan assets for the year ended June 30, 2014.*

Transfers out of Level 3 to Level 2 are reflected on a gross basis by asset class and represent the migration of assets measured at fair value based on NAV (or its equivalent) that were eligible for redemption at the reporting date or within the near term. There were no transfers in or out of Level 1 during the year ended June 30, 2014.

Changes in plan investments for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2013:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gains*[1]	*Transfers out of Level 3*	*Ending Balance*
Public equities:						
Non-U.S.	$ 2,659	$ 2,000	$ -	$ 638	$ -	$ 5,297
Hedge funds	16,928	2,500	(2,545)	2,298	-	19,181
Private equity	9,025	1,323	(1,714)	583	-	9,217
Real assets	6,011	262	(626)	390	-	6,037
	$ 34,623	$ 6,085	$ (4,885)	$ 3,909	$ -	$ 39,732

[1]*Included in the actual return on plan assets for the year ended June 30, 2013.*

No transfers between Levels 1, 2 or 3 were made during the year ended June 30, 2013.

(All amounts in thousands)

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 $6,545 and $9,078 were uncalled at June 30, 2014 and 2013, respectively.

NOTE 14.
UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2014	2013
Endowment funds (*Note 16*)	$ 3,142,115	$ 2,692,444
Investment in land, buildings and equipment:		
Land, buildings and equipment, net *(Note 7)*	1,382,730	1,350,192
Accrued construction in progress *(Note 7)*	(14,929)	(14,521)
SJC bonds and mortgage notes payable *(Note 11)*	(408,532)	(411,920)
Conditional asset retirement obligation *(Note 7)*	(24,813)	(23,443)
	934,456	900,308
Other unrestricted net assets	289,174	117,782
	$ 4,365,745	$ 3,710,534

NOTE 15.
RESTRICTED NET ASSETS

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

	2014	2013
Expendable funds restricted for:		
Operating purposes	$ 168,457	$ 163,903
Investment in land, buildings and equipment	186,339	79,626
Split-interest agreements (*Note 17*)	62,693	51,264
Endowment funds (*Note 16*):		
Accumulated appreciation on donor-restricted endowment	2,964,550	2,410,652
Funds functioning as endowment	439,969	364,714
	3,404,519	2,775,366
	$ 3,822,008	$ 3,070,159

As described in *Note 4*, temporarily restricted net assets include contributions receivable of $168,229 and $104,571 at June 30, 2014 and 2013, respectively.

Net assets released from restrictions for operations are summarized below for the years ended June 30:

	2014	2013
Purpose restrictions satisfied:		
Scholarships and fellowships awarded	$ 78,067	$ 73,627
Expenditures for operating purposes	132,683	122,892
	$ 210,750	$ 196,519

Non-operating net assets released from restrictions reflect expenditures for land, buildings and equipment of $42,475 and $40,861 for the years ended June 30, 2014 and 2013, respectively.

(All amounts in thousands)

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

	2014	2013
Endowment funds (*Note 16*)	$ 1,642,462	$ 1,491,241
Student loan funds	2,460	2,313
Split-interest agreements (*Note 17*)	22,911	16,716
Beneficial interests in perpetual trusts (*Note 3*)	5,720	5,172
	$ 1,673,553	$ 1,515,442

As reflected in *Notes 4* and *16*, permanently restricted endowment funds include $138,946 and $93,132 in contributions receivable at June 30, 2014 and 2013, respectively.

NOTE 16.
ENDOWMENT

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

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

	Unrestricted	*Temporarily restricted (Note 15)*	*Permanently restricted (Note 15)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 462,235	$ 1,238,361	$ 614,385	$ 2,314,981
Faculty chairs	126,277	951,170	290,918	1,368,365
Academic programs	242,346	456,736	227,514	926,596
General operations	1,251,518	66,943	8,868	1,327,329
Other	1,059,739	680,915	361,831	2,102,485
	3,142,115	3,394,125	1,503,516	8,039,756
Contributions receivable (*Note 4*)	-	10,394	138,946	149,340
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

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

(All amounts in thousands)

Endowment and funds functioning as endowment at June 30, 2013 are summarized below:

	Unrestricted	Temporarily restricted (Note 15)	Permanently restricted (Note 15)	Total
Funds established to support:				
Scholarships and fellowships	$ 404,584	$ 1,011,394	$ 583,632	$ 1,999,610
Faculty chairs	109,726	788,221	266,457	1,164,404
Academic programs	200,193	371,617	219,907	791,717
General operations	1,079,231	57,657	8,857	1,145,745
Other	898,710	536,859	319,256	1,754,825
	2,692,444	2,765,748	1,398,109	6,856,301
Contributions receivable (*Note 4*)	-	9,618	93,132	102,750
	$ 2,692,444	$ 2,775,366	$ 1,491,241	$ 6,959,051

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$ (221)	$ 2,765,748	$ 1,398,109	$ 4,163,636
University-designated funds	2,692,665	-	-	2,692,665
	2,692,444	2,765,748	1,398,109	6,856,301
Contributions receivable (*Note 4*)	-	9,618	93,132	102,750
	$ 2,692,444	$ 2,775,366	$ 1,491,241	$ 6,959,051

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. Unrealized depreciation of this nature amounted to $424 and $221 at June 30, 2014 and 2013, respectively, as reflected in the preceding tables.

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

Changes in endowment and funds functioning as endowment were as follows for the year ended June 30, 2014:

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

(All amounts in thousands)

Changes in endowment and funds functioning as endowment were as follows for the year ended June 30, 2013:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ 2,499,911	$ 2,518,261	$ 1,426,427	$ 6,444,599
Contributions	7,472	7,291	64,193	78,956
Investment return:				
Investment income	27,111	39,837	1,553	68,501
Net gain/(loss) on investments	259,555	397,546	(81)	657,020
Accumulated investment return distributed (*Note 6*)	(79,699)	(176,942)	-	(256,641)
Other changes, net	(21,906)	(10,627)	(851)	(33,384)
	$ 2,692,444	$ 2,775,366	$ 1,491,241	$ 6,959,051

Other changes include appropriations of approximately $52,000 from funds functioning as endowment to fund certain capital projects, offset by the designation of other University net assets as funds functioning as endowment.

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

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	**2014** Total	**2013** Total
Operating purposes:				
Scholarships and fellowships	$ 19,147	$ 76,482	$ 95,629	$ 90,723
Faculty chairs	5,274	49,356	54,630	51,943
Academic programs	1,035	28,145	29,180	27,676
Libraries	369	8,013	8,382	7,931
Other endowed programs	8,124	22,638	30,762	28,230
General operations	33,473	3,191	36,664	35,559
	67,422	187,825	255,247	242,062
Capital projects	15,501	-	15,501	14,579
	$ 82,923	$ 187,825	$ 270,748	$ 256,641

(All amounts in thousands)

NOTE 17.
SPLIT-INTEREST AGREEMENTS

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

	Unrestricted	*Temporarily restricted (Note 15)*	*Permanently restricted (Note 15)*	**2014** *Total*	**2013** *Total*
Charitable trust assets, held in:					
NDEP (*Note 6*)	$ -	$ 123,728	$ 67,007	$ 190,735	$ 163,313
Other investments (*Note 6*)	-	10,533	3,757	14,290	9,839
	-	134,261	70,764	205,025	173,152
Less obligations[1] associated with:					
Charitable trusts	-	70,356	44,812	115,168	101,129
Charitable gift annuities	2,558	1,212	3,041	6,811	6,650
	2,558	71,568	47,853	121,979	107,779
	$ (2,558)	$ 62,693	$ 22,911	$ 83,046	$ 65,373

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

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust, and based on the nature of the agreements, are designated as funds functioning as endowment. The aggregate fair value of these assets was $24,208 and $19,594 at June 30, 2014 and 2013, respectively.

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

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2014** *Total*	**2013** *Total*
Contributions:					
Assets received	$ 161	$ 11,038	$ 6,439	$ 17,638	$ 57,694
Discounts recognized[1]	(84)	(7,578)	(4,345)	(12,007)	(27,758)
	77	3,460	2,094	5,631	29,936
Change in value of agreements:					
Investment return, net	-	21,604	11,181	32,785	15,682
Payments to beneficiaries	(384)	(6,649)	(3,998)	(11,031)	(8,634)
Actuarial adjustments and other changes in obligations	133	(1,175)	(1,151)	(2,193)	(3,289)
	(251)	13,780	6,032	19,561	3,759
Transfers and other changes, net	223	(5,811)	(1,931)	(7,519)	(206)
	$ 49	$ 11,429	$ 6,195	$ 17,673	$ 33,489

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

(All amounts in thousands)

NOTE 18.
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*	**2014** *Total*	**2013** *Total*
Provided for:				
Research	$ 77,117	$ 21,234	$ 98,351	$ 98,124
Other sponsored programs	11,290	168	11,458	7,136
	$ 88,407	$ 21,402	$ 109,809	$ 105,260

	Direct	*Indirect*	**2014** *Total*	**2013** *Total*
Provided by:				
Federal agencies	$ 66,533	$ 18,966	$ 85,499	$ 84,488
State and local agencies	311	46	357	383
Private organizations	21,563	2,390	23,953	20,389
	$ 88,407	$ 21,402	$ 109,809	$ 105,260

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

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $12,971 for the year ended June 30, 2014, including $5,867 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2013 were $12,248, including $6,090 in ROTC scholarships.

NOTE 19.
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.

(All amounts in thousands)

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

2015	$	1,798
2016		1,826
2017		1,826
2018		1,826
2019		1,826
2020 through 2080		52,557
	$	61,659

At June 30, 2014, the University also has commitments to expend approximately $65,200 to complete various construction projects.