2016

CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS

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, 2016 and 2015, 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.

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 at June 30, 2016 and 2015, and the changes in their unrestricted net assets, net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chicago, Illinois
November 15, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	As of June 30 2016	2015
ASSETS		
Cash and cash equivalents	$ 106,607	$ 203,593
Accounts receivable, net (Note 2)	39,120	40,620
Deferred charges and other assets (Note 3)	50,127	56,202
Contributions receivable, net (Note 4)	569,271	433,468
Notes receivable, net (Note 5)	42,801	44,692
Investments (Note 6)	10,639,675	10,699,959
Land, buildings and equipment, net of accumulated depreciation (Note 7)	1,808,048	1,515,123
TOTAL ASSETS	$ 13,255,649	$ 12,993,657
LIABILITIES		
Accounts payable (Note 7)	$ 90,974	$ 77,735
Short-term borrowing (Note 8)	135,047	45,015
Deferred revenue and refundable advances (Note 9)	62,912	72,295
Deposits and other liabilities (Note 10)	158,441	115,819
Liabilities associated with investments (Note 6)	973,090	788,950
Obligations under split-interest agreements (Note 16)	152,610	144,113
Bonds and notes payable (Note 11)	882,608	883,628
Conditional asset retirement obligations (Note 7)	24,970	25,011
Pension and other postretirement benefit obligations (Note 13)	155,137	136,368
Government advances for student loans (Note 5)	29,850	29,914
TOTAL LIABILITIES	2,665,639	2,318,848
NET ASSETS		
Unrestricted (Note 14)	4,509,288	4,630,672
Temporarily restricted (Note 14)	3,944,489	4,169,034
Permanently restricted (Note 14)	2,136,233	1,875,103
TOTAL NET ASSETS	10,590,010	10,674,809
TOTAL LIABILITIES AND NET ASSETS	$ 13,255,649	$ 12,993,657

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

(IN THOUSANDS)

	Years ended June 30 2016	2015
OPERATING REVENUES AND OTHER ADDITIONS		
Tuition and fees	$ 570,591	$ 543,929
Less: Tuition scholarships and fellowships	(263,849)	(246,010)
NET TUITION AND FEES	306,742	297,919
Grants and contracts *(Note 17)*	127,152	117,263
Contributions	42,389	39,734
Accumulated investment return distributed *(Note 6)*	112,777	104,915
Sales and services of auxiliary enterprises	261,723	246,287
Other sources	54,986	49,072
TOTAL OPERATING REVENUES	905,769	855,190
Net assets released from restrictions *(Note 14)*	240,714	224,019
TOTAL OPERATING REVENUES AND OTHER ADDITIONS	1,146,483	1,079,209
OPERATING EXPENSES		
Instruction	359,447	350,526
Research	123,725	115,347
Public service	29,133	27,425
Academic support	106,202	96,775
Student activities and services	52,903	49,735
General administration and support	211,633	195,047
Auxiliary enterprises	226,468	222,835
TOTAL OPERATING EXPENSES	1,109,511	1,057,690
INCREASE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	36,972	21,519
NON-OPERATING CHANGES IN UNRESTRICTED NET ASSETS		
Contributions	27,633	36,640
Investment income *(Note 6)*	31,269	41,843
Net gain/(loss) on investments *(Note 6)*	(74,840)	298,770
Accumulated investment return distributed *(Note 6)*	(112,777)	(104,915)
Net loss on debt-related derivative instruments *(Note 12)*	(45,303)	(6,836)
Net assets released from restrictions *(Note 14)*	45,182	10,257
Net pension and postretirement benefits-related changes other than net periodic benefits costs *(Note 13)*	(19,276)	(28,019)
Other non-operating changes	(10,244)	(4,332)
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS FROM NON-OPERATING ACTIVITIES	(158,356)	243,408
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS	$ (121,384)	$ 264,927

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

	Years ended June 30 2016	2015
UNRESTRICTED NET ASSETS		
Operating revenues and other additions	$ 1,146,483	$ 1,079,209
Operating expenses	(1,109,511)	(1,057,690)
INCREASE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	36,972	21,519
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS FROM NON-OPERATING ACTIVITIES	(158,356)	243,408
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS	(121,384)	264,927
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	103,360	184,916
Investment income *(Note 6)*	38,922	45,836
Net gain/(loss) on investments *(Note 6)*	(63,889)	350,880
Change in value of split-interest agreements *(Note 16)*	(4,312)	(3,311)
Net assets released from restrictions *(Note 14)*	(285,896)	(234,276)
Other changes in temporarily restricted net assets	(12,730)	2,981
INCREASE/(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(224,545)	347,026
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	279,332	206,550
Investment income *(Note 6)*	1,549	2,076
Net gain/(loss) on investments *(Note 6)*	(578)	31
Change in value of split-interest agreements *(Note 16)*	(2,170)	(4,699)
Other changes in permanently restricted net assets	(17,003)	(2,408)
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	261,130	201,550
INCREASE/(DECREASE) IN NET ASSETS	(84,799)	813,503
NET ASSETS AT BEGINNING OF YEAR	10,674,809	9,861,306
NET ASSETS AT END OF YEAR	$ 10,590,010	$ 10,674,809

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Years ended June 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets	$ (84,799)	$ 813,503
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net (gain)/loss on investments	139,307	(649,681)
Contributions for long-term investment	(126,478)	(176,342)
Contributed securities	(92,542)	(108,688)
Proceeds from sales of securities contributed for operations	6,190	6,248
Depreciation	65,315	63,139
Loss on disposal of land, buildings and equipment	2,984	4,261
Change in contributions receivable	(135,803)	(126,293)
Change in value of split-interest agreements	6,756	9,051
Change in conditional asset retirement obligations	(41)	198
Change in pension and other postretirement benefit obligations	18,769	28,688
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	7,575	(20,416)
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	31,867	16,445
Other, net	900	3,076
NET CASH USED BY OPERATING ACTIVITIES	(160,000)	(136,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,847,186	3,164,064
Purchases of investments	(2,937,917)	(3,137,812)
Purchases of land, buildings and equipment	(345,988)	(165,596)
Student and other loans granted	(3,483)	(4,403)
Student and other loans repaid	5,939	5,761
NET CASH USED BY INVESTING ACTIVITIES	(434,263)	(137,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment income restricted for non-operational purposes	3,663	3,719
Contributions for long-term investment	143,173	186,820
Proceeds from sales of securities contributed for long-term investment	80,944	101,276
Proceeds from short-term borrowing	787,603	614,073
Repayment of short-term borrowing	(697,571)	(712,096)
Payments to beneficiaries of split-interest agreements	(13,596)	(14,228)
Proceeds from bonds and notes issued	-	409,573
Repayment of bonds and notes	(832)	(195,727)
Government advances for student loans	(92)	414
Cash accepted for investment on behalf of religious affiliates	214,976	19,892
Cash returned to religious affiliates	(20,991)	(29,585)
NET CASH PROVIDED BY FINANCING ACTIVITIES	497,277	384,131
NET CHANGE IN CASH AND CASH EQUIVALENTS	(96,986)	109,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	203,593	94,259
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 106,607	$ 203,593
SUPPLEMENTAL DATA		
Interest paid	$ 35,542	$ 22,875

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 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.

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

INVESTMENTS

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

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 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 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 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.

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 15, 2016, 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.

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 ASU is effective for fiscal years beginning after December 15, 2017.

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 is evaluating the impact of each of these new standards on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

NOTE 2.

ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at June 30:

	2016	2015
Research and other sponsored programs support	$ 20,856	$ 22,180
Student receivables	1,188	1,682
Other receivables	18,557	17,257
	40,601	41,119
Less allowances for uncollectible amounts	1,481	499
	$ 39,120	$ 40,620

NOTE 3.

DEFERRED CHARGES AND OTHER ASSETS

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

	2016	2015
Prepaid expenses	$ 25,286	$ 25,513
Retail and other inventories	7,858	8,943
Goodwill	6,455	6,455
Beneficial interests in perpetual trusts *(Note 14)*	5,235	5,581
Debt-related derivative instruments *(Note 12)*	-	4,502
Other deferred charges	5,293	5,208
	$ 50,127	$ 56,202

NOTE 4.

CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	$ 179,544	$ 133,716
One year to five years	348,588	242,524
More than five years	161,377	186,206
	689,509	562,446
Less:		
Unamortized discounts	104,767	109,944
Allowances for uncollectible amounts	15,471	19,034
	120,238	128,978
	$ 569,271	$ 433,468

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2016 and 2015. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2016 and 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

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

	2016	2015
Temporarily restricted for:		
Operating purposes	$ 44,258	$ 45,535
Investment in land, buildings and equipment	150,830	170,504
Funds functioning as endowment *(Note 15)*	33,866	11,234
Total temporarily restricted *(Note 14)*	228,954	227,273
Permanently restricted for endowment *(Notes 14 and 15)*	340,317	206,195
	$ 569,271	$ 433,468

As of June 30, 2016, the University had received documented conditional pledges of $33,430 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:

	2016	2015
Student notes receivable, related to:		
Government sponsored loan programs	$ 29,294	$ 31,573
Institutional student loans	574	702
	29,868	32,275
Less allowances for uncollectible student notes	2,003	2,203
	27,865	30,072
Other notes receivable	14,936	14,620
	$ 42,801	$ 44,692

Government advances to the University for student loan funding, primarily under the Perkins Loan program, totaled $29,850 and $29,914 at June 30, 2016 and 2015, 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 $2,667 and $2,923 at June 30, 2016 and 2015, respectively. The delinquent portions of these balances were $1,643 and $1,800, 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, 2016 and 2015.

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:

	2016	2015
Notre Dame Endowment Pool assets	$ 10,341,312	$ 10,400,662
Other investments, associated with:		
Endowment and funds functioning as endowment	52,935	47,468
Working capital and other University designations	88,859	85,530
Split-interest agreements *(Note 16)*	9,354	10,521
Defined benefit pension plan *(Note 13)*	147,215	155,778
	298,363	299,297
	$ 10,639,675	$ 10,699,959

Liabilities associated with investments include the following at June 30:

	2016	2015
Notre Dame Endowment Pool liabilities	$ -	$ 211
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	825,875	632,961
Defined benefit pension plan *(Note 13)*	147,215	155,778
	$ 973,090	$ 788,950

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:

	2016	2015
NDEP assets	$ 10,341,312	$ 10,400,662
NDEP liabilities[1]	-	(211)
NDEP net assets reflected within the financial statements	10,341,312	10,400,451
Equity interest in consolidated company[2]	66,127	53,541
NDEP net assets unitized	$ 10,407,439	$ 10,453,992

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

[2]The University is the sole owner of a limited liability company, the assets and liabilities of which are reflected in the consolidated financial statements. However, the estimated fair value of the University's equity interest in the company, $66,127 and $53,541 at June 30, 2016 and 2015, 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:

	2016	2015
Endowment and funds functioning as endowment	$ 8,279,404	$ 8,476,201
Working capital and other University designations	1,080,206	1,132,904
Student loan funds	981	995
Split-interest agreements *(Note 16)*	220,973	210,931
Funds invested on behalf of religious affiliates[3]	825,875	632,961
	$ 10,407,439	$ 10,453,992

[3]NDEP holdings were redeemable by religious affiliates at $4,723.10 and $4,688.24 per unit (whole dollars) at June 30, 2016 and 2015, 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, 2016 and 2015, respectively:

	2016		
	NDEP	Other Investments	Total
Short-term investments	$ 364,166	$ 1,008	$ 365,174
Public equities	4,035,782	77,529	4,113,311
Fixed income securities	527,426	58,386	585,812
Marketable alternatives	1,312,123	335	1,312,458
Private equity	3,022,737	6,828	3,029,565
Real estate	630,775	7,062	637,837
Other real assets	448,303	-	448,303
	10,341,312	151,148	10,492,460
Defined benefit pension plan investments *(Note 13)*	-	147,215	147,215
	$ 10,341,312	$ 298,363	$ 10,639,675

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

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 and interest rate 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. 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.

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:

	2016	2015
Public equities	$ 120,005	$ 31,038
Marketable alternatives	165,257	153,835
Private equity	1,475,109	1,035,584
Real estate	123,186	150,945
Other real assets	171,186	204,435
	$ 2,054,743	$ 1,575,837

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2016 and 2015, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

2016

	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 356,292	$ 8,882	$ -	$ -	$ 365,174
Public equities:					
U.S.	983,965	-	-	541,725	1,525,690
Non-U.S.	245,711	-	-	981,324	1,227,035
Long/short strategies	-	-	-	1,360,586	1,360,586
Fixed income securities	154,441	163,528	1,254	266,589	585,812
Marketable alternatives	-	-	-	1,312,458	1,312,458
Private equity	-	-	6,828	3,022,737	3,029,565
Real estate	80,266	-	6,865	550,706	637,837
Other real assets	-	-	112,708	335,595	448,303
	$ 1,820,675	$ 172,410	$ 127,655	$ 8,371,720	$ 10,492,460

2015

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

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

At June 30, 2016 and 2015, the fair value of a Level 3 partnership investment was measured using a discounted cash flow technique, the significant unobservable input to which is the discount rate (10%). The fair value of the investment was $112,708 and $132,771 at June 30, 2016 and 2015, 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, 2016:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized loss*	*Ending Balance*
Fixed income securities	$ 1,770	$ 1,173	$ (1,643)	$ (46)	$ 1,254
Private equity	3,133	4,039	(204)	(140)	6,828
Real estate	5,579	2,450	(1,023)	(141)	6,865
Other real assets	132,771	10,500	-	(30,563)	112,708
	$ 143,253	$ 18,162	$ (2,870)	$ (30,890)	$ 127,655

During the year ended June 30, 2016, the University recognized net unrealized losses of $30,701 on investments still held at June 30, 2016, for which fair value is measured using Level 3 inputs. There were no transfers between levels during the year ended June 30, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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, 2015:

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

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

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:

	2016	2015
Investment income, net	$ 71,740	$ 89,755
Net gain/(loss) on investments:		
Realized gains, net	356,239	617,263
Unrealized gains/(losses), net	(495,546)	32,418
	(139,307)	649,681
	$ (67,567)	$ 739,436

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Investment income, net	$ 31,269	$ 38,922	$ 1,549	$ 71,740	$ 89,755
Net gain/(loss) on investments	(74,840)	(63,889)	(578)	(139,307)	649,681
	$ (43,571)	$ (24,967)	$ 971	$ (67,567)	$ 739,436

Investment income is reported net of related expenses of $38,591 and $49,282 for the years ended June 30, 2016 and 2015, 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									
		Operating		*Non-operating*		*Temporarily restricted*		**2016** Total		**2015** Total
Endowment (Note 15)	$	75,155	$	17,791	$	214,123	$	307,069	$	284,654
Working capital		37,622		-		-		37,622		34,219
	$	112,777	$	17,791	$	214,123	$	344,691	$	318,873

NOTE 7.

LAND, BUILDINGS AND EQUIPMENT

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

		2016		**2015**
Land and land improvements	$	157,006	$	153,730
Buildings		1,636,239		1,586,202
Equipment		285,334		279,993
Construction in progress		463,595		177,841
		2,542,174		2,197,766
Less accumulated depreciation		734,126		682,643
	$	1,808,048	$	1,515,123

Depreciation expense was $65,315 and $63,139 for the years ended June 30, 2016 and 2015, respectively.

The University recorded accounts payable associated with construction in progress costs of $62,307 and $44,930 at June 30, 2016 and 2015, respectively.

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

		2016		**2015**
Beginning of year	$	25,011	$	24,813
Obligations settled		(920)		(675)
Accretion expense		879		873
End of year	$	24,970	$	25,011

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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. During the years ending June 30, 2016 and 2015, the University issued only taxable commercial paper for working capital purposes.

The University also maintains unsecured lines of credit with commercial banks in the aggregate amount of $325,000 to be utilized primarily for working capital purposes. Termination dates on lines of credit available at June 30, 2016, ranged from January 2018 to January 2021.

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

	2016	2015
Standard taxable commercial paper	$ 80,047	$ 37,015
Lines of credit	55,000	8,000
	$ 135,047	$ 45,015

Total interest costs incurred on short-term borrowing were approximately $293 and $326 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9.

DEFERRED REVENUE AND REFUNDABLE ADVANCES

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

	2016	2015
Deferred ticket sales and other revenues from intercollegiate athletics	$ 25,148	$ 27,297
Deferred tuition and other student revenues	13,342	12,650
Refundable advances for research and other sponsored programs	22,408	30,115
Other deferred revenues	2,014	2,233
	$ 62,912	$ 72,295

NOTE 10.

DEPOSITS AND OTHER LIABILITIES

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

	2016	2015
Accrued compensation and employee benefits	$ 58,277	$ 56,912
Payroll and other taxes payable	12,484	11,579
Accrued interest expense	11,709	11,709
Debt-related derivative instruments *(Note 12)*	48,115	7,314
Student organization funds and other deposits	6,333	6,186
Self-insurance reserves	6,358	6,749
Other liabilities	15,165	15,370
	$ 158,441	$ 115,819

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

NOTE 11.

BONDS AND NOTES PAYABLE

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

	2016	2015
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 660,000	$ 660,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds[1]	160,775	160,963
Mortgage notes payable	15,435	15,435
	836,210	836,398
Obligations of consolidated company:		
Mortgage note payable	46,398	47,230
	$ 882,608	$ 883,628

[1]Includes the unamortized Series 2009 bond premium of $6,320 and $6,508 at June 30, 2016 and 2015, respectively.

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

2017	$ 1,393
2018	1,435
2019	1,479
2020	1,524
2021	1,573
Thereafter	868,884
	$ 876,288

TAXABLE FIXED RATE BONDS

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

	Year of maturity	*Rate of interest*	2016	2015
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
			$ 660,000	$ 660,000

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

Interest costs incurred on Taxable Fixed Rate Bonds were $25,312 and $17,644 during the years ended June 30, 2016 and 2015, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

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

	Year of maturity	*Rate of interest*	**2016**	**2015**
Series 1996	2026	6.50%	$ 7,890	$ 7,890
Series 2009[1]	2036	5.00%	152,885	153,073
			$ 160,775	$ 160,963

[1]*Carrying amount includes the unamortized premium of $6,320 and $6,508 at June 30, 2016 and 2015, respectively.*

Interest costs incurred on SJC bonds and periodic net settlements paid to counterparties pursuant to associated interest rate swaps (see further information in Note 12) are summarized below for the years ended June 30:

	2016		**2015**	
	Interest expense[1]	*Net periodic settlements*	*Interest expense*[1]	*Net periodic settlements*
Issues bearing variable rates	$ -	$ -	$ 29	$ 3,787
Issues bearing fixed rates	7,653	-	7,661	-
	$ 7,653	$ -	$ 7,690	$ 3,787

[1]*Includes amortization of Series 2009 premium of $188 and $179 for the years ended June 30, 2016 and 2015, respectively. The premium is amortized using the effective interest method over the period the bonds are outstanding.*

MORTGAGE NOTES

Mortgage notes in the amount of $15,435 bear interest at a fixed rate of 1.103 percent and are due on July 1, 2042. These notes are collateralized by the facilities to which they relate. The University incurred interest costs of $173 on the notes during the years ended June 30, 2016 and 2015.

The University is the sole owner of a limited liability company, the activities of which are reflected in the University's consolidated financial statements. The company's assets consist primarily of real estate, the acquisition of which was financed in part with a note payable, the outstanding balance of which was refinanced during the year ended June 30, 2015. The company obtained additional proceeds of $11,002 in the refinancing, which is reflected in the principal balance of $47,230 at June 30, 2015. Under the new terms, the note bears interest at a fixed rate of 4.11 percent, and is due on February 1, 2025. The note is not a general obligation of the University and is fully collateralized by the property mortgaged. Interest costs of $1,923 and $1,929 related to the note are reflected within non-operating changes in unrestricted net assets for the years ended June 30, 2016 and 2015, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

NOTE 12.

DERIVATIVE INSTRUMENTS

The University utilizes interest rate swap agreements to manage interest rate risk associated with variable rate bonds, of which none are currently outstanding. After refunding variable rate SJC bond issues during the year ending June 30, 2015, the swaps associated with those bonds were restructured to forward starting swaps in anticipation of a future variable rate bond issue. The University incurred an upfront cost of $8,329 to restructure the swaps, which is recognized as a non-operating change in unrestricted net assets during the year ended June 30, 2015. Under the terms of the restructured swap agreements in effect at June 30, 2016 and 2015, the University will pay fixed rates ranging from 2.83 percent to 7.10 percent and receive variable rates equal to 100 percent of the one-month or three-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $154,894 beginning on March 1, 2018, with no periodic settlements in the interim. The University also utilizes a variety of derivative instruments within the NDEP, including 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 swaps described above 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 $48,115 and $7,314 at June 30, 2016 and 2015, 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, 2016.

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, 2016 and 2015, respectively, are summarized below along with net losses for the respective years then ended:

		2016		2015
Notional amounts	$	154,894	$	154,894
Fair value, as reflected in the statements of financial position:				
Deferred charges and other assets *(Note 3)*	$	-	$	4,502
Deposits and other liabilities *(Note 10)*	$	48,115	$	7,314
Net loss	$	45,303	$	6,836

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, 2016 and 2015.

The net gain or loss on debt-related interest rate swaps includes net periodic settlements with counterparties and changes in fair value, and is reported within non-operating changes in unrestricted net assets. The net loss for the year ended June 30, 2015, includes $8,329 in restructuring costs.

NOTE 13.

PENSION AND OTHER POSTRETIREMENT BENEFITS

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty and exempt staff participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operated under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also participate in the plan on a voluntary basis by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan, and may direct their contributions and the University's contributions on their behalf to selected fund sponsors. The University's share of the cost of these benefits was $31,501 and $29,751 for the years ended June 30, 2016 and 2015, 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.

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 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:

	2016	2015
Liability for pension benefits:		
PBO at end of year	$ 252,889	$ 246,470
Less: Fair value of plan assets at end of year (Note 6)	147,215	155,778
	105,674	90,692
Liability for other postretirement benefits (APBO at year end)	49,463	45,676
	$ 155,137	$ 136,368

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

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2016	2015	2016	2015
Beginning of year	$ 246,470	$ 220,194	$ 45,676	$ 40,434
Service cost	8,271	7,489	2,514	2,283
Interest cost	10,957	9,750	1,951	1,726
Plan amendments	-	-	-	(82)
Actuarial loss	2,861	16,600	335	2,189
Benefit payments	(15,670)	(7,563)	(1,013)	(874)
End of year	$ 252,889	$ 246,470	$ 49,463	$ 45,676

The accumulated benefit obligation associated with pension benefits was $224,086 and $212,744 at June 30, 2016 and 2015, respectively. The actuarial loss related to pension benefits reflects a change in the mortality assumptions for the year ended June 30, 2015.

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

	2016	2015
Fair value of plan assets at beginning of year	$ 155,778	$ 152,948
Actual return on plan assets	(3,643)	3,441
Employer contributions	10,750	6,952
Benefit payments	(15,670)	(7,563)
Fair value of plan assets at end of year	$ 147,215	$ 155,778

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*	
	2016	**2015**	**2016**	**2015**
Service cost	$ 8,271	$ 7,489	$ 2,514	$ 2,283
Interest cost	10,957	9,750	1,951	1,726
Expected return on plan assets	(11,078)	(10,346)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	4,675	3,661	1,209	1,175
Amortization of prior service cost/(credit)	432	432	(7,675)	(7,675)
	5,107	4,093	(6,466)	(6,500)
	$ 13,257	$ 10,986	$ (2,001)	$ (2,491)

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

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

	Pension benefits		*Other postretirement benefits*	
	2016	**2015**	**2016**	**2015**
Net actuarial loss	$ (17,582)	$ (23,505)	$ (335)	$ (2,189)
Plan amendments	-	-	-	82
Adjustment for components of net periodic benefit cost recognized previously	5,107	4,093	(6,466)	(6,500)
	$ (12,475)	$ (19,412)	$ (6,801)	$ (8,607)

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*	
	2016	**2015**	**2016**	**2015**
Net loss	$ 89,860	$ 76,953	$ 16,645	$ 17,519
Prior service cost/(credit)	1,829	2,261	(4,519)	(12,194)
	$ 91,689	$ 79,214	$ 12,126	$ 5,325

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, 2017:

	Pension benefits	*Other postretirement benefits*
Net loss	$ 5,377	$ 1,237
Prior service cost/(credit)	432	(4,410)

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*	
	2016	**2015**	**2016**	**2015**
Discount rate	4.00%	4.50%	4.00%	4.50%
Rate of compensation increase	3.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2023)			7.50%	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*	
	2016	**2015**	**2016**	**2015**
Discount rate	4.50%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	7.00%	7.00%		
Rate of compensation increase	4.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2023)			7.50%	7.25%

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 $165 and $1,005, 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 $148 and $917, 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, 2016 are as follows:

	Pension benefits	*Other postretirement benefits*
2017	$ 8,483	$ 1,536
2018	9,079	1,801
2019	9,748	2,070
2020	10,432	2,342
2021	11,187	2,644

Projected aggregate payments for pension benefits and other postretirement benefits for the five year period ending June 30, 2026, are $68,442 and $17,043, respectively. The University's estimated contributions to the defined benefit pension plan for the year subsequent to June 30, 2016, are $14,000.

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:

	2016	**2015**	**Target**
Short-term investments	2.7%	3.3%	0.0%
Public equities	49.1%	49.1%	50.0%
Fixed income securities	18.9%	17.1%	15.0%
Hedge funds	18.2%	18.2%	20.0%
Private equity	8.7%	8.3%	10.0%
Real assets	2.4%	4.0%	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

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, 2016 and 2015, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

2016

	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 3,924	$ -	$ -	$ -	$ 3,924
Public equities:					
U.S.	31,597	-	-	10,089	41,686
Non-U.S.	10,957	-	-	19,648	30,605
Fixed income securities	27,825	-	-	-	27,825
Hedge funds	-	-	-	26,813	26,813
Private equity	-	-	-	12,796	12,796
Real assets	811	-	-	2,755	3,566
	$ 75,114	$ -	$ -	$ 72,101	$ 147,215

2015

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

The plan is committed under contracts with certain investment managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Total commitments of $8,909 and $8,112 were uncalled at June 30, 2016 and 2015, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

NOTE 14.

NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2016	2015
Endowment funds (Note 15)	$ 3,271,895	$ 3,341,272
Other unrestricted net assets	1,237,393	1,289,400
	$ 4,509,288	$ 4,630,672

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

	2016	2015
Expendable funds restricted for:		
Operating purposes	$ 176,622	$ 172,590
Investment in land, buildings and equipment	338,948	339,704
Split-interest agreements (Note 16)	62,029	61,305
Endowment funds (Note 15):		
Accumulated appreciation on donor-restricted endowment	2,901,492	3,136,278
Funds functioning as endowment	465,398	459,157
	3,366,890	3,595,435
	$ 3,944,489	$ 4,169,034

As described in Note 4, temporarily restricted net assets include contributions receivable of $228,954 and $227,273 at June 30, 2016 and 2015, respectively.

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

	2016	2015
For operations:		
Scholarships and fellowships awarded	$ 89,041	$ 82,430
Expenditures for operating purposes	151,673	141,589
	240,714	224,019
For buildings and equipment	45,182	10,257
	$ 285,896	$ 234,276

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

	2016	2015
Endowment funds (Note 15)	$ 2,109,481	$ 1,847,674
Student loan funds	2,522	2,530
Split-interest agreements (Note 16)	18,995	19,318
Beneficial interests in perpetual trusts (Note 3)	5,235	5,581
	$ 2,136,233	$ 1,875,103

As reflected in Notes 4 and 15, permanently restricted endowment funds include $340,317 and $206,195 in contributions receivable at June 30, 2016 and 2015, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

NOTE 15.
ENDOWMENT

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

Endowment and funds functioning as endowment at June 30, 2016, are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 474,570	$ 1,223,684	$ 702,283	$ 2,400,537
Academic, religious and student programs	352,549	703,650	519,693	1,575,892
Faculty chairs	128,023	950,877	334,253	1,413,153
Capital projects and renewals	542,975	74,050	670	617,695
Athletics	124,863	92,686	26,939	244,488
Libraries	8,727	168,721	45,977	223,425
General operations	1,279,736	75,829	27,123	1,382,688
Other	360,452	43,527	112,226	516,205
	3,271,895	3,333,024	1,769,164	8,374,083
Contributions receivable (Note 4)	-	33,866	340,317	374,183
	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ -	$ 3,333,024	$ 1,769,164	$ 5,102,188
University-designated funds	3,271,895	-	-	3,271,895
	3,271,895	3,333,024	1,769,164	8,374,083
Contributions receivable (Note 4)	-	33,866	340,317	374,183
	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266

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

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 484,065	$ 1,321,846	$ 669,301	$ 2,475,212
Academic, religious and student programs	350,123	752,045	448,576	1,550,744
Faculty chairs	133,473	1,016,075	318,918	1,468,466
Capital projects and renewals	543,899	84,745	650	629,294
Athletics	131,464	98,699	21,438	251,601
Libraries	9,080	175,249	45,410	229,739
General operations	1,320,773	83,068	14,359	1,418,200
Other[1]	368,395	52,474	122,827	543,696
	3,341,272	3,584,201	1,641,479	8,566,952
Contributions receivable (Note 4)	-	11,234	206,195	217,429
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

[1]*Certain funds originally reported within this category have been disaggregated to conform to 2016 classification.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

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

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. Unrealized depreciation of this nature amounted to $582 at June 30, 2015, as reflected in the preceding table. There was no such unrealized depreciation at June 30, 2016.

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, 2016 and 2015, respectively, are summarized as follows:

2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381
Contributions	9,897	24,016	277,668	311,581
Investment return:				
Investment income	25,528	38,026	1,543	65,097
Net loss on investments	(40,551)	(63,851)	(565)	(104,967)
Accumulated investment return distributed (Note 6)	(92,946)	(214,123)	-	(307,069)
Other changes, net[1]	28,695	(12,613)	(16,839)	(757)
	$ 3,271,895	$ 3,366,890	$ 2,109,481	$ 8,748,266

2015

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

[1]*Reflects the effects of changes in donor intent and management-directed allocations that result in additions to or withdrawals from endowment.*

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	2016 Total	2015 Total
Operating purposes:				
Scholarships and fellowships	$ 20,937	$ 87,338	$ 108,275	$ 100,666
Academic, religious and student programs	4,843	51,952	56,795	51,477
Faculty chairs	5,859	55,615	61,474	56,726
Athletics	5,777	4,959	10,736	9,990
Libraries	399	8,624	9,023	8,569
General operations	36,336	4,790	41,126	39,029
Other	1,004	818	1,822	1,747
	75,155	214,096	289,251	268,204
Capital projects	17,791	27	17,818	16,450
	$ 92,946	$ 214,123	$ 307,069	$ 284,654

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)	2016 Total	2015 Total
Charitable trust assets, held in:					
NDEP (Note 6)	$ -	$ 142,921	$ 78,052	$ 220,973	$ 210,931
Other investments (Note 6)	-	6,945	2,409	9,354	10,521
	-	149,866	80,461	230,327	221,452
Less obligations[1] associated with:					
Charitable trusts	-	85,282	57,695	142,977	134,519
Charitable gift annuities	3,307	2,555	3,771	9,633	9,594
	3,307	87,837	61,466	152,610	144,113
	$ (3,307)	$ 62,029	$ 18,995	$ 77,717	$ 77,339

[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 $28,001 and $27,923 at June 30, 2016 and 2015, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

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

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Beginning of the year	$ (3,284)	$ 61,305	$ 19,318	$ 77,339	$ 83,046
Contributions:					
Assets received	305	17,744	7,090	25,139	15,677
Discounts recognized[1]	(150)	(11,119)	(5,426)	(16,695)	(10,478)
	155	6,625	1,664	8,444	5,199
Change in value of agreements:					
Investment return, net	-	(998)	(360)	(1,358)	16,833
Payments to beneficiaries	(399)	(8,173)	(5,024)	(13,596)	(14,228)
Actuarial adjustments and other changes in obligations	125	4,859	3,214	8,198	(11,656)
	(274)	(4,312)	(2,170)	(6,756)	(9,051)
Transfers and other changes, net	96	(1,589)	183	(1,310)	(1,855)
	$ (3,307)	$ 62,029	$ 18,995	$ 77,717	$ 77,339

[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	2016 Total	2015 Total
Provided for:				
Research	$ 88,475	$ 24,605	$ 113,080	$ 103,919
Other sponsored programs	13,828	244	14,072	13,344
	$ 102,303	$ 24,849	$ 127,152	$ 117,263

	Direct	Indirect	2016 Total	2015 Total
Provided by:				
Federal agencies	$ 72,486	$ 21,550	$ 94,036	$ 91,285
State and local agencies	881	61	942	939
Private organizations	28,936	3,238	32,174	25,039
	$ 102,303	$ 24,849	$ 127,152	$ 117,263

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 $13,329 for the year ended

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL AMOUNTS IN THOUSANDS)

June 30, 2016, including $5,794 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2015 were $12,880, including $5,791 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 for academic and administrative purposes under noncancelable operating leases. Minimum future payments under these lease agreements are summarized by fiscal year as follows:

2017	$	2,211
2018		2,261
2019		2,564
2020		2,606
2021		2,649
2022 through 2080		63,517
	$	75,808

At June 30, 2016, the University also has contractual commitments of approximately $212,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $390,000.