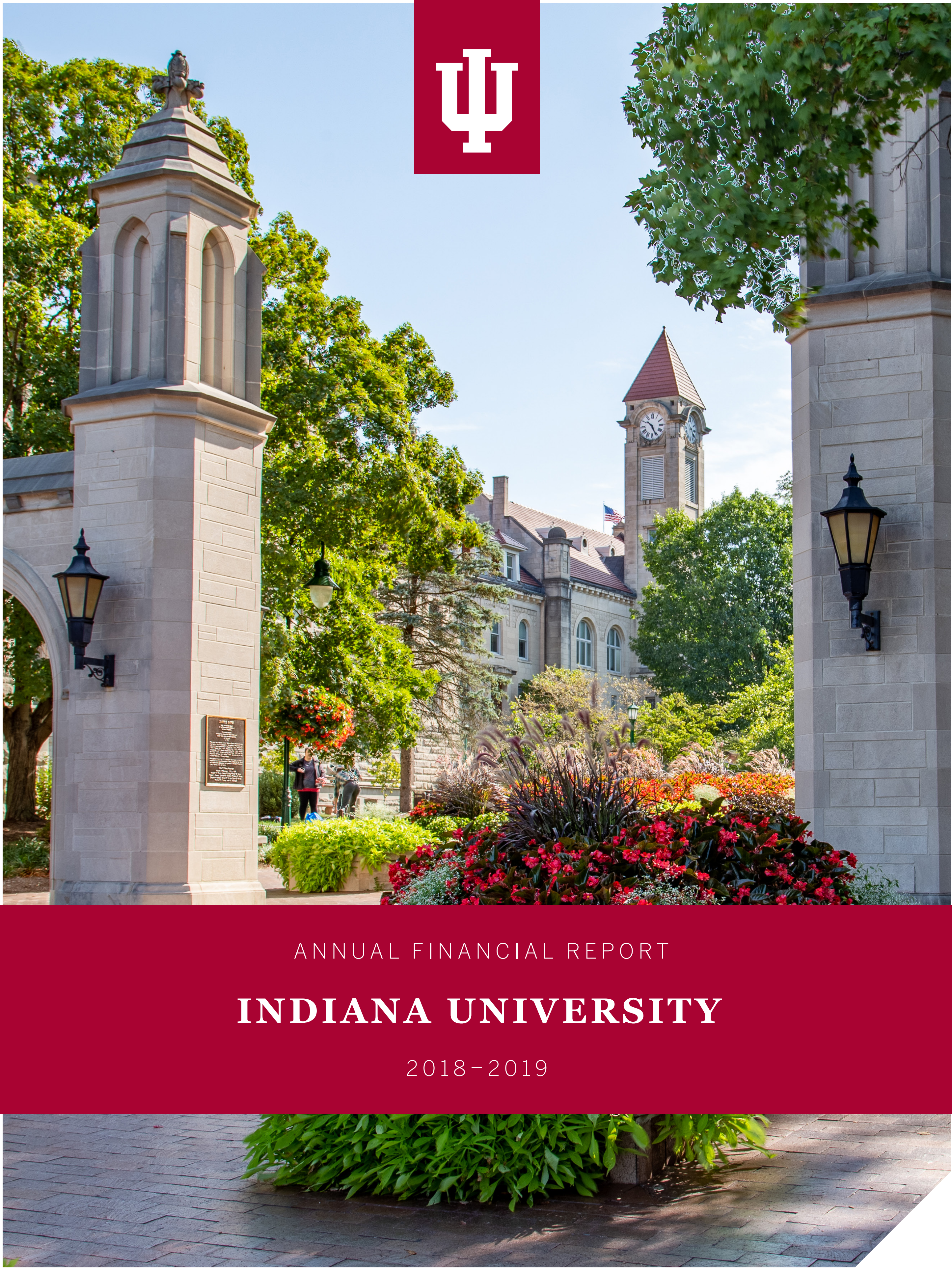

ANNUAL FINANCIAL REPORT

INDIANA UNIVERSITY

2018–2019

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Indiana University Annual Financial Report 2018–2019

MESSAGE FROM THE PRESIDENT

Michael A. McRobbie, President, Indiana University

The Honorable Eric J. Holcomb
Governor, State of Indiana
State House, Room 206
200 West Washington Street
Indianapolis, IN 46204

Dear Governor Holcomb:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2018–19 Financial Report.

Indiana University is now in its bicentennial year. One of the first American public universities west of the Allegheny Mountains, IU is older than most universities in the United States and most universities in the world outside of Europe. This year will see a dazzling and reflective series of over 400 events, which will celebrate this truly unique milestone in the life of the state's flagship university.

Even as we celebrate Indiana University's 200th anniversary, we continue to make major advancements—in education, research, innovation, philanthropy, and engagement in the life of our state—to prepare our university for a third century of excellence and to ensure that we continue to achieve our primary mission of educating outstanding students. We are acutely aware of the challenges that are coming in our third century. This awareness has driven much of the reform, restructuring, renovation, and rebuilding that has taken place across all of our campuses for over the last decade, and we believe we are well positioned to confront these challenges.

ENSURING AFFORDABILITY, ACCESSIBILITY, AND STUDENT SUCCESS

Vital to IU's success in its third century is to ensure that the university remains completely accessible to able students from all over the state no matter what their backgrounds. I am proud to note that IU enters its third century highly affordable for a wide range of students. Our campuses have among the lowest tuition levels among their peers. Tuition increases have been below higher education inflation levels the last five years. It will be essential to ensure they remain low on all of our campuses, especially in a climate of increasing competition caused by demographic pressures.

IU has given—and will continue to give—constant attention to ways of keeping a quality education affordable. For example, IU has adopted banded, or flat-rate, tuition for undergraduate students and many graduate and professional programs, on all of our campuses. Banded tuition locks in one price for students taking anywhere from 12 to 18 credit hours per semester. This enables students to take all of the credits they need for on-time graduation at the same, predictable cost. IUPUI and the regional campuses had a 24 percent increase in full-time undergraduates taking at least 15 credit hours between 2012 and 2017.

Generous philanthropic support for scholarships and fellowships will continue to be a vital component of affordability. Such support in recent years has allowed IU to dramatically increase the amount of financial aid it provides to students. IU financial assistance for resident undergraduate students has increased by a remarkable 227 percent since 2007. More broadly, 63 percent of degree-seeking undergraduate students received gift aid in 2017–2018 from federal, state, institutional, or private sources, up from 57 percent five years prior.

The impact of all of this has been to ensure that IU Bloomington's net cost of attendance is the second lowest in the Big Ten. This has also helped ensure that an IU education remains popular. This year saw a record freshman class across all IU campuses of 16,162, including records at IU Bloomington and IUPUI. The total number of students served by IU has remained stable at around 110,000 with around 90,000 degree-seeking students. Students are graduating in record numbers as well, and the last academic year saw a new record of 21,500 graduate from all IU campuses.

RECORD DIVERSITY

It has been particularly gratifying this year to see yet another record set for minority student enrollment across all IU campuses underscoring IU's accessibility as well. For the third consecutive year, IU's minority student body has exceeded 20,000, this year being a record 22,068. IU Bloomington has seen record numbers of Hispanic/Latino, African American, and Asian American students, with a total now of over 9,000 minority students—the most of any IU campus, representing a doubling of this number since 2007. The minority composition of domestic IU students now closely approximates that of the state. In this and many other ways, we are truly the people's university.

A NATIONAL LEADER IN REDUCING STUDENT DEBT

At the same time, we must keep focusing constantly on student debt. IU's path-breaking work in this area has already made it a national leader. For example, our "student loan letter"—in which students are clearly informed each year of the value and full consequences of their borrowing—has reduced student indebtedness by 19 percent since 2011–2012. Annual student loan borrowing dropped by $126.4 million (19 percent) over the past six years. Indiana resident undergraduate annual loan volume is down $101.3 million (31 percent) for the same period. As you are aware, in 2015, the State of Indiana adopted legislation to require all public universities to issue "debt letters" to all students who have loan debt. Since then, another 13 states have also mandated such letters.

CONTROLLING COSTS

Controlling costs will remain absolutely essential in the coming years to keeping tuition low. IU has sought to reduce costs, but without sacrificing quality or reducing the high level of services that students expect of us. Key to this has been leveraging our scale to obtain prices for software, books, finance and accounting, and consumables across all campuses that individual units could not possibly obtain. In areas like information technology, we have pursued this strategy aggressively for decades.

IU ONLINE: DELIVERING AN AUTHENTICALLY IU EDUCATION SINCE 2012

The last decade has seen a fraught and overwrought debate about the merits and impact of online education. Some have argued in almost apocalyptic terms that it would spell the end of the traditional model of education. At IU, we resisted this tsunami of extravagant claims, and instead argued that the history of previous approaches to online education going back 40 years or so, the nature of the changes in technology and the costs involved, would instead see not a replacement of the traditional model, but rather its *merging* with online education into a *mixed* or additive model.

We established a program in this area in 2012 called IU Online, based on our prediction as to what the successful model of online education would be. It has been enormously successful and this year a record 31,254 students are doing at least one IU Online course—representing more than a third of this year's student body. This is more than a four percent increase from fall semester 2018. We also saw an increase in the number of IU students who are taking only online courses. This number grew to 8,768 students, who now make up nearly a tenth of IU's total enrollment and provide a tenth of our tuition revenue. Through IU Online, the university has firmly cemented itself as the state's online education powerhouse for four-year and graduate online education. Our online platform now includes 135 IU degree and certificate programs and over 2,500 IU courses on our seven campuses, all taught and developed by IU faculty.

These figures are especially noteworthy and important as they demonstrate IU's strong contribution to the state's ongoing efforts to help more Hoosiers earn their college degrees and ensure that more students graduate on time. IU Online offers opportunities for those Hoosiers who may have started their college education but not finished because they now have jobs or families. Similarly, it provides a solution for more traditional students who want to earn their degrees more quickly or have more convenient access to courses given their class or work schedules.

At IU, we have emphasized that our programs should provide a quality "authentically IU experience." The result has been an online experience that is a true extension of IU's faculty and curriculum, and that builds on the best of traditional classroom instruction.

CATALYZING RESEARCH AT THE BICENTENNIAL

As IU begins a new century, its research enterprise is strong and well-placed to meet the challenges this century will bring. Fundamental to this strength are faculty of excellence and outstanding ability whose research and scholarship blaze new paths of knowledge for the enlightenment and betterment of humankind.

And as we enter that century, the excellence of IU's research faculty grows unabated. Last year saw the largest ever total for externally funded research in the university's history—a record $680.2 million that was awarded for over 2,800 proposals. This represents an increase of nearly two thirds of the total for the 2007 academic year, and since that year, nearly $7 billion in externally funded research has been awarded to IU.

Such success emphatically underscores the excellence and importance of IU faculty research and scholarship in a funding environment that continues to grow increasingly more competitive. It is a testament to the thousands of IU faculty, staff, and students who form the teams that develop the research proposals and whose ideas and work are judged to be of the highest quality by their peers around the nation and world at a time when only the most promising research proposals are securing support. The outstanding research being conducted by IU faculty, staff, and students expands knowledge, drives innovation, creates new industries and jobs, leads to new treatments and cures for illness and disease, spurs economic growth, and supports a high standard of living. I want to especially single out and congratulate the IU School of Medicine for their remarkable part of this total of a record $434 million.

This record success is also a result of the extensive investments IU has made over the last decade in:

- new and renovated facilities;
- new equipment, research infrastructure, and technology, such as supercomputing systems;

and

- new programs and services that support research that are the product of an extensive restructuring of research administration.

And, of course, it also shows the growing impact of the university's investment of nearly $300 million in its three major multidisciplinary Grand Challenge projects focused on:

- medical treatments precisely targeted to an individual's genetic makeup;
- developing programs and policies aimed on adapting to environmental change;

and

- a wholistic approach to addressing the scourge of drug addiction devastating so many Midwest communities.

CONCLUSION

As we enter IU's third century, we are heading towards a new social contract. The role of public universities in this new social order will be essential. In order to achieve our goals, we must redouble our efforts to build the trust of the public in what we do, how we do it, and why we do it.

As this financial report illustrates, Indiana University continues to regard the funding it receives as a public trust. We are deeply grateful for the support we receive from state appropriations, donor contributions, grants, contracts, and student fees, and are committed to achieving the best return on all of those investments. We also remain dedicated to fulfilling IU's core missions of education and research and to contributing in myriad ways to the growth, prosperity, and security of the Hoosier state.

Yours sincerely,

Michael A. McRobbie
President

MESSAGE FROM THE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

John A. Sejdinaj, Vice President and Chief Financial Officer, Indiana University

Dear President McRobbie and the Trustees of Indiana University:

I am pleased to present to you the Indiana University Financial Report for the fiscal year ended June 30, 2019. The financial statements have been prepared in accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) principles. The accompanying notes and the Management's Discussion and Analysis are integral parts of the financial statements.

The statements are intended to provide a summary of the flow of the economic resources of the university during the fiscal year covering the period of July 1, 2018, through June 30, 2019. The statements report the university's financial position at June 30, 2019, with comparative data from the previous fiscal year. In addition, financial results of the Indiana University Foundation are incorporated in the 2018–2019 financial report.

The financial statements have been audited by the Indiana State Board of Accounts. Their opinion on the financial statements appears after this letter.

The Indiana University Financial Report is a consolidated report incorporating all seven campuses for which Indiana University has fiscal responsibility and also includes all auxiliary operations. The information presented in the Management's Discussion and Analysis section of the financial report includes indicators that assess Indiana University's fiscal health. Overall, these indicators show that Indiana University continues to have a strong balance sheet reflecting sound and careful fiscal management across the institution.

For the fiscal year ending June 30, 2019, the institution had an increase in net position of $110,417,000, or 3%, over prior year. This positive financial performance was achieved while focusing on affordability. Undergraduate tuition and fee rate increases in 2019 increased by 1.4% at the Bloomington and IUPUI core campuses and 1.9% at IU's five regional campuses. Complementing these moderate tuition increases was continued financial support for our students with $459,885,000 provided in financial assistance.

Affordability is also maintained through the continued financial support of donors and the state, combined with the fiscal stewardship of those across the University who have allowed us to continue to invest in the programs and facilities required to educate and prepare students to contribute to the state, the nation, and the world. In fiscal year 2019, state support for University operations was $582,403,000, while state support for capital projects was $20,047,000. Simultaneously, donor support brought into the University was $138,492,000.

Indiana University is one of seven public universities that hold an Aaa long-term credit rating from Moody's Investor Services, as well as an AAA rating from Standard and Poor's. These ratings reflect not only IU's strong financial performance and focus on high standards and fiscal management, but also the effective governance of senior leadership and the Board of Trustees, the quality of our academic programs, our ability to plan for the future, and our continued focus on efficiency and affordability.

On behalf of all those responsible for the fiscal stewardship of Indiana University's resources, I submit the Indiana University Financial Report for the fiscal year ending June 30, 2019.

John A. Sejdinaj
Vice President and Chief Financial Officer

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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Indiana University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Indiana University Foundation, Inc. (Foundation), a component unit of the University as described in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2019, the University adopted new accounting guidance GASB Statement 83 *Certain Asset Retirement Obligations* and GASB Statement 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the University's Proportionate Share of the Net Pension Liability for the Indiana Public Employees' Retirement Fund, Schedule of the University's Contributions for the Indiana Public Employees' Retirement Fund, and Schedule of the University's Total Liability for Other Postemployment Benefit Plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Message from the President, Message from the Vice President and Chief Financial Officer, Trustees and Administrative Officers of Indiana University, and Additional Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Message from the President, Message from the Vice President and Chief Financial Officer, Trustees and Administrative Officers of Indiana University, and Additional Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 25, 2019

Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of Indiana University (the "university") for the fiscal year ended June 30, 2019, with selected comparative information for the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and accompanying notes to the financial statements, included in this Annual Financial Report.

Indiana University was founded in 1820 and is one of the largest state-supported universities in the United States. The university is a major multicampus public research institution, grounded in the liberal arts and sciences, and a world class leader in professional, medical, and technological education. Indiana University's mission is to provide broad access to undergraduate and graduate education for students throughout Indiana, the United States, and the world, as well as outstanding academic and cultural programs and student services. The university seeks to create dynamic partnerships with the state and local communities in economic, social, and cultural development and to offer leadership in creative solutions for 21st-century problems. Indiana University strives to achieve full diversity and to maintain friendly, collegial, and humane environments with a strong commitment to academic freedom.

The university's annual financial report includes three financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The university's financial statements, related notes to the financial statements, and required supplementary information, including management's discussion and analysis have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. GASB required supplementary information is not audited and should be read in conjunction with the financial statements and notes to the financial statements.

The Indiana University Foundation (IU Foundation) is organized as a not-for-profit corporation under the laws of the State of Indiana for the exclusive purpose of supporting the university by receiving, holding, investing, and administering property and making expenditures to or for the benefit of the university. The IU Foundation is considered a component unit of the university that requires discrete presentation. Accordingly, the IU Foundation's audited financial statements are presented in their original formats on separate pages, along with the university's financial statements.

The Indiana University Building Corporation (IUBC) serves specific purposes on behalf of the university and is shown in a blended presentation with the university's financial statements. The sole purpose of IUBC is to assist the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease-purchase basis.

About the Financial Statements

The **Statement of Net Position** is the university's balance sheet. The statement presents the university's financial position by reporting all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the end of the fiscal year, with comparative information for the prior fiscal year. Net position is the residual value of the university's assets and deferred outflows of resources, after liabilities and deferred inflows of resources are deducted, and is one indicator of the financial condition of the university.

The **Statement of Revenues, Expenses, and Changes in Net Position** is the university's income statement. The statement presents the total revenues recognized and expenses incurred by the university during the fiscal year, along with the increase or decrease in net position, with comparative information for the prior fiscal year. This statement depicts the university's revenue streams, along with the categories of expenses supported by that revenue. Changes in net position are an indication of improvement or decline in the university's overall financial condition.

The **Statement of Cash Flows** provides additional information about the university's financial results by presenting detailed information about cash inflows and outflows during the fiscal year, with comparative information for the prior fiscal year. The statement reports the major sources and uses of cash and is useful in the assessment of the university's ability to generate future net cash flows and to meet obligations as they come due.

Statement of Net Position

A comparison of the university's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2019, 2018, and 2017, is summarized as follows:

Condensed Statement of Net Position
(in thousands of dollars)

	June 30, 2019	*June 30, 2018*	*June 30, 2017*
Current assets	$ 643,409	$ 567,218	$ 649,905
Capital assets, net	3,354,987	3,278,609	3,147,159
Other assets	1,665,177	1,682,820	1,677,406
Total assets	**5,663,573**	**5,528,647**	**5,474,470**
Deferred outflows of resources	**88,336**	**117,817**	**86,345**
Current liabilities	425,590	405,695	388,257
Noncurrent liabilities	1,406,577	1,435,096	1,268,799
Total liabilities	**1,832,167**	**1,840,791**	**$1,657,056**
Deferred inflows of resources	**27,186**	**23,534**	**38,220**
Net investment in capital assets	2,391,112	2,320,100	2,200,168
Restricted net position	297,086	286,520	230,713
Unrestricted net position	1,204,358	1,175,519	1,434,658
Total net position	**$ 3,892,556**	**$ 3,782,139**	**$ 3,865,539**

Assets

Current Assets

Current assets include those that are used to support current operations and consist primarily of cash and cash equivalents, net receivables, and short-term investments. Cash balances support commitments to strategic initiatives, capital projects, employee benefit and retirement costs, and self-liquidity requirements, along with ongoing operational needs. The overall fluctuations in current assets are primarily a function of the university's revenue and expense cycles, along with investment activities.

Current assets increased $76,191,000, or 13%, and decreased $82,687,000, or 13%, in 2019 and 2018, respectively. The increase in 2019 is primarily attributable to increases in cash and cash equivalents of $44,938,000 and short term investments of $22,846,000. The decrease in 2018 is primarily attributable to a decrease of $65,028,000 in short-term investments, as well as a $15,328,000 decrease in net accounts receivable. The objective of the university's investment policy with respect to its operating funds is to adequately provide for the liquidity needs of the university while maximizing the opportunity to increase yield on investments. The management of the university's operating funds permits flexibility while providing a consolidated basis from which to meet liquidity demands. Decisions on management of cash and shorter term holdings are based on asset prices, the economic environment, investment opportunities, and liquidity needs. The decrease in net accounts receivable in 2018 resulted from the timing of receivables realization and natural fluctuations in auxiliary revenue cycles.

Noncurrent Assets

Major components of noncurrent assets are capital assets, net of accumulated depreciation, and endowment and operating investments. Noncurrent assets increased $58,735,000, or 1%, and $136,864,000, or 3%, in 2019 and 2018, respectively. The increase in 2019 is primarily attributable to an increase in capital assets of $76,378,000, partially offset by decreases in noncurrent investments and notes and pledges receivable of $10,673,000 and $6,970,000, respectively. Endowment funds are managed by the IU Foundation using a disciplined, consistent, and diversified approach according to the policies and strategic direction of the Foundation Investment Committee and the laws of the State of Indiana. The decrease in notes and pledges receivable was primarily related to the Perkins Loan Program; which under federal law, universities were not permitted to make new Perkins Loans after September 30, 2017.

Capital Assets

The university's investment in capital assets, net of depreciation, which includes land, art and museum objects, infrastructure, equipment, and buildings, grew $76,378,000, or 2%, and $131,450,000, or 4%, in 2019 and 2018, respectively. Additions to capital assets are comprised of new construction and renovations, as well as major investments in equipment and information technology. Funding for capital assets consists of use of net position, capital appropriations, gifts designated for capital purposes, and debt proceeds (See Note 5, Capital Assets).

In accordance with the university's master plan and Bicentennial Strategic Plan; new, expanded, and renovated facilities to support IU's missions of education, research, and the long-term preservation of knowledge are a central priority of the university. They are critical to recruiting and retaining the best faculty and researchers, to ensuring that IU remains competitive in research and scholarship, and to providing a high-quality living and educational environment for IU students on all campuses.

Indiana University continues to reinvest in existing facilities through renovations and upgrades, as well as construction of new facilities, as needed to support academic programming and research. Utilization of these facilities provides students, faculty, and staff with new learning and research spaces via fiscally responsible methods that encourage efficient management and reuse of existing space, as well as new construction when appropriate.

The Stone Family Center for Health Sciences was dedicated in August 2018. This newly-constructed, multi-institutional facility in downtown Evansville is transforming healthcare and healthcare education and research in

Stone Family Center for Health Sciences
IU School of Medicine, IU School of Dentistry; Evansville

Southwest Indiana. The facility is shared by Indiana University, the University of Southern Indiana, and the University of Evansville, and houses programs including dentistry, nursing, occupational therapy, physician assistant, and physical therapy. The center includes a dental clinic, simulation center, labs, classrooms, and offices. The $53,000,000 project, of which Indiana University's portion was approximately $25,200,000, was funded by State of Indiana appropriations and the City of Evansville.

The reinvigoration of the Old Crescent on the Bloomington campus continued with the renovation of Swain Halls East and West, which was completed in the fall of 2018. This project was part of the Old Crescent Renovation – Phase II project, funded by State of Indiana appropriations. Swain was in need of updating to provide an effective and engaging learning environment for students. The $36,101,000 renovation included new building systems and universal accessibility upgrades, as well as updated classrooms and lab spaces within Swain West to include the latest technologies for students and faculty. Additionally, the façade of the south addition to Swain

Swain Hall
Department of Physics, Department of Astronomy; Bloomington

West was refaced and a new gable constructed to blend with the existing buildings while creating a visible and accessible new front entry. Programs housed in Swain include physics and astronomy.

Two new facilities were constructed within the athletics district of the Bloomington campus, thus completing the Athletics Master Plan as referenced in the Bicentennial Strategic Plan. The south end zone of Memorial Stadium was enclosed with the construction of the Excellence Academy, housing facilities for sports medicine, athletic training, rehabilitation, wellness, leadership and career development, counseling services, nutrition center, dining facilities, and meeting and event spaces including a terrace to host game-day activities. This $52,079,000 project, funded by athletics department funds and private gifts, also upgraded the football team locker room and sports medicine facilities, as well as provided universal accessibility updates to the existing stadium including seating and restrooms. The facility opened in the fall of 2018.

South End Zone
Memorial Stadium, Bloomington

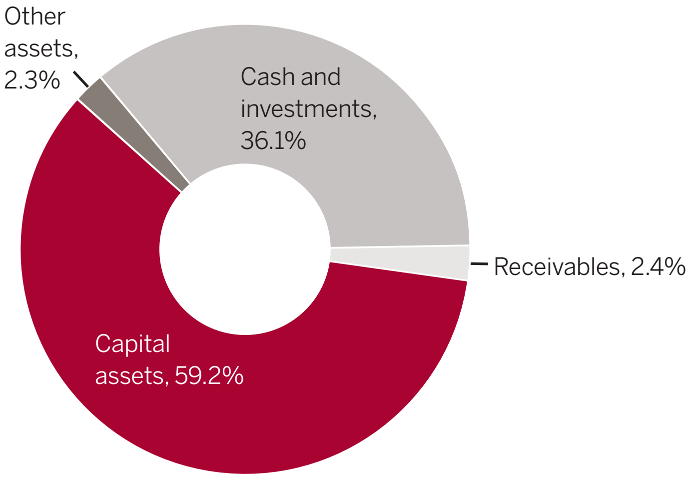
Wilkinson Hall
Volleyball and wrestling arena, Bloomington

Additionally, the completion of Wilkinson Hall in December 2018 brought the competition venue for the volleyball and wrestling teams into the athletics district. The 3,000-seat venue, which also serves as a practice facility for volleyball and can be used for other university events, was constructed at a cost of $17,413,000 and funded by athletics department funds and private gifts.

The following table and chart represent the composition of total assets as of June 30, 2019:

Total Assets *(in thousands of dollars)*			
Cash and investments	$	2,045,962	36.1%
Receivables		136,628	2.4%
Capital assets		3,354,987	59.2%
Other assets		125,996	2.3%
Total assets	**$**	**5,663,573**	**100.0%**

Total assets



Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred outflows represent the consumption of net position applicable to a future reporting period and so will not be recognized as expenses or expenditures until then. Certain changes in resources related to the net pension liability (see Note 12, Retirement Plans) and the OPEB liability (see Note 13, Postemployment Benefits) are reported as deferred outflows of resources. The amounts recorded also include accumulated deferred charges on refundings of capital debt.

Liabilities

Current Liabilities

Current liabilities are those expected to become due and are payable over the course of the next fiscal year. Current liabilities consist of accounts payable, accrued compensation, current portion of compensated absences, unearned revenue, current portion of long-term debt, and current portion of capital lease obligations.

Current liabilities increased $19,895,000, or 5%, and $17,438,000, or 4%, in 2019 and 2018, respectively. The increase in 2019 is primarily attributable to an increase in the current portion of long-term debt and other obligations of $33,032,000 primarily due to an increase of $33,800,000 in commercial paper notes outstanding, partially offset by a decrease in the current portion of unearned revenue of $16,132,000. The increase in 2018 is primarily attributable to an increase in the current portion of unearned revenue of $28,583,000 as well as an increase in the current portion of long-term debt and other obligations of $14,184,000, partially offset by a decrease in accounts payable and accrued liabilities of $26,511,000 due in large part to natural fluctuations in building construction and renovation activity along with differences in accrued interest on capital debt. The changes in the current portion of unearned revenue in both 2019 and 2018 related to the timing of sponsored grant spending for which receipts were received in advance of related expenditures.

Noncurrent Liabilities

Noncurrent liabilities decreased $28,519,000, or 2%, and increased $166,297,000, or 13%, in 2019 and 2018, respectively. The decrease in 2019 is primarily attributable to a decrease in net pension liability of $23,490,000 and a decrease in total postemployment benefits liability of $13,914,000, partially offset by increases in bonds payable of $12,310,000. The increase in debt was attributable to the issuance of fixed rate new money Student Fee Bonds in October 2018, offset by reductions from scheduled principal payments (see Note 8, Bonds and Notes Payable and Other Obligations).

In fiscal year 2018, the university adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB). Accordingly, the university recorded total postemployment benefits liability of $268,543,000 at June 30, 2018 (see Note 13, Postemployment Benefits). Other long-term liabilities decreased $33,870,000 in 2018 reflecting the reclassification of $37,304,000 formerly reported on this line to the new reporting line for the OPEB liability. Scheduled principal payments in 2018 primarily contributed to a reduction in bonds and notes payable of $75,118,000. The noncurrent portion of unearned revenue increased $13,621,000 related to the timing of sponsored grant spending for which receipts were received in advance of related expenditures.

Debt and Financing Activity

Institutional borrowing capacity is a valuable resource that is actively managed in support of the institutional mission. Total bonds, notes, and capital lease obligations were $1,062,244,000 and $1,027,435,000 at June 30, 2019 and 2018, respectively (See Note 7, Other Liabilities).

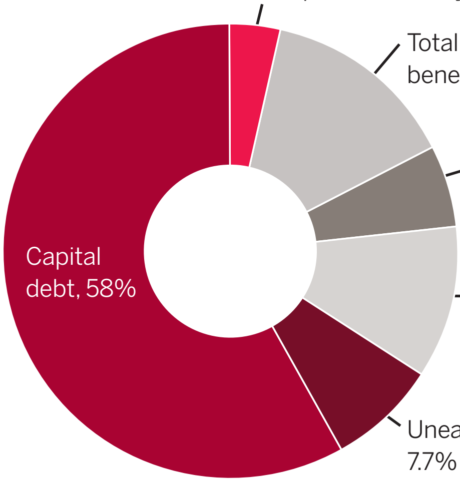
On February 13, 2019 and June 4, 2019, the university issued tax-exempt Indiana University Commercial Paper Notes in the amount of $4,600,000 and $9,200,000, respectively. On June 12, 2019, the university issued taxable Indiana University Commercial Paper Notes in the amount of $20,000,000. The total outstanding commercial paper notes at June 30, 2019 and 2018, were $54,200,000 and $20,400,000, respectively (See Note 8, Bonds and Notes Payable and Other Obligations and Note 17, Subsequent Event). Commercial paper notes are issued by the university from time to time to provide for the temporary financing or refinancing of costs related to certain facilities on all of the Indiana University campuses, including costs of issuance of the notes. The university has no credit facilities and no lines or letters of credit. The university has a self-liquidity backed commercial paper program which guarantees the payment of the maturity amount of any commercial paper notes that are not placed to investors. The university will not cause commercial paper maturities in an aggregate principal amount exceeding $25,000,000 to mature in any five business day period.

On October 3, 2018, the university issued fixed-rate new money Student Fee Bonds Series Y with a par amount of $69,470,000. The purpose of the issue was to provide financing for the Old Crescent Renovation Phase III project, which includes the renovation of Ballantine Hall and the Geological Sciences/Geological Survey building, both of which are located on the Bloomington campus. The proceeds were also used to pay costs to issue the bonds, including underwriters' discount. The all-in true interest cost for the bonds was 3.35%. The university's ratings on debt obligations were last reviewed and reaffirmed in August 2018. On August 27, 2018, Moody's Investors Service rated the university's most recent student fee bonds and reaffirmed its underlying rating on all student fee bonds, consolidated revenue bonds, lease-purchase obligations, and certificates of participation as 'Aaa.' The university's commercial paper program carries a rating of P-1 from Moody's, which was reaffirmed on August 27, 2018. The university's outlook under Moody's Investors Service is stable. On August 29, 2018, S&P Global Ratings rated the university's most recent student fee bonds as 'AAA.' On the May 9, 2018 credit report, S&P Global Ratings reaffirmed its long-term rating and underlying rating on all student fee bonds, consolidated revenue bonds, certificates of participation, and lease-purchase obligations issued by the university as 'AAA' and rated the university's commercial paper program as A-1+. The university's outlook under S&P Global Ratings is stable.

The following table and chart represent the composition of total liabilities as of June 30, 2019:

Total Liabilities *(in thousands of dollars)*		
Accounts payable and accrued liabilities	$ 200,644	11.0%
Unearned revenue	141,616	7.7%
Capital debt	1,062,244	58.0%
Net pension liability	68,576	3.7%
Total postemployment benefits liability	254,629	13.9%
Other liabilities	104,458	5.7%
Total liabilities	**$ 1,832,167**	**100.0%**

Total liabilities



Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred inflows represent an acquisition of net position applicable to a future reporting period and so will not be recognized as revenue until then. The amounts recorded are related to the net pension liability (see Note 12, Retirement Plans) and the OPEB liability (see Note 13, Postemployment Benefits).

Net Position

Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into three major categories:

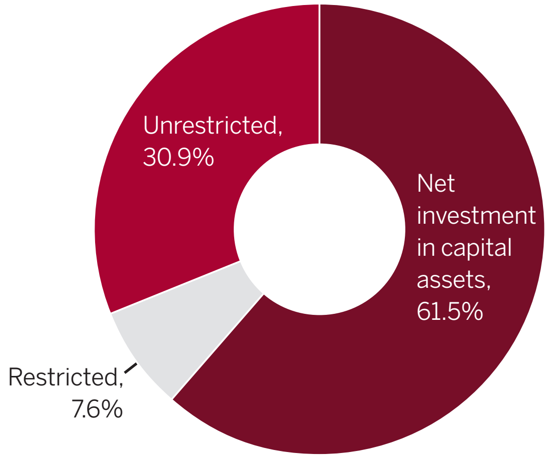
- Net investment in capital assets consists of the university's investment in capital assets, such as equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt.
- Restricted net position consists of amounts subject to externally imposed restrictions

governing usage and is divided into two sub-categories:
    - Restricted non-expendable funds are subject to externally imposed stipulations that they be retained in perpetuity. These balances represent the corpus (historical value) of the university's permanent endowment funds.
    - Restricted expendable funds are available for expenditure by the university, but must be spent according to restrictions imposed by third parties.
- Unrestricted net position includes amounts institutionally designated or committed to support specific purposes.

The following table and chart represent the composition of net position as of June 30, 2019:

Total Net Position *(in thousands of dollars)*			
Net investment in capital assets	$	2,391,112	61.5%
Restricted		297,086	7.6%
Unrestricted		1,204,358	30.9%
Total	**$**	**3,892,556**	**100.0%**

Net position



The university's net investment in capital assets reflects the institutional capital investment in sustaining and enhancing the university's mission and strategic plans. The net investment in capital assets increased $71,012,000, or 3%, and $119,932,000, or 5%, in 2019 and 2018, respectively. Growth in this area is managed according to the university's long-range capital plans, along with operating units' needs to support programs and operating needs.

Restricted net position increased $10,566,000, or 4%, and increased $55,807,000, or 24%, in 2019 and 2018, respectively. Variances in both years are largely due to fluctuations in spending of bond proceeds, which impact the capital projects component of restricted net position.

Unrestricted net position is subject to internal designations and commitments for academic and research initiatives, capital projects, and unrestricted quasi- and term endowment spending plans. Unrestricted net position represents resources available for ongoing operational needs and for funding ongoing obligations, as well as providing flexibility to support the university's mission in changing economic environments. Unrestricted net position increased $28,839,000, or 2%, and decreased $259,139,000, or 18%, in 2019 and 2018, respectively. The 2018 decline is attributable to the change in accounting principle in accordance with GASB 75, as discussed above within Noncurrent Liabilities. The impacts of the postemployment benefits liability of $268,543,000 are reflected in unrestricted net position.

Net position increased $110,417,000, or 3%, in 2019 and $112,554,000, or 3%, in 2018. Net position at June 30, 2019, was $3,892,556,000.

Statement of Revenues, Expenses, and Changes in Net Position

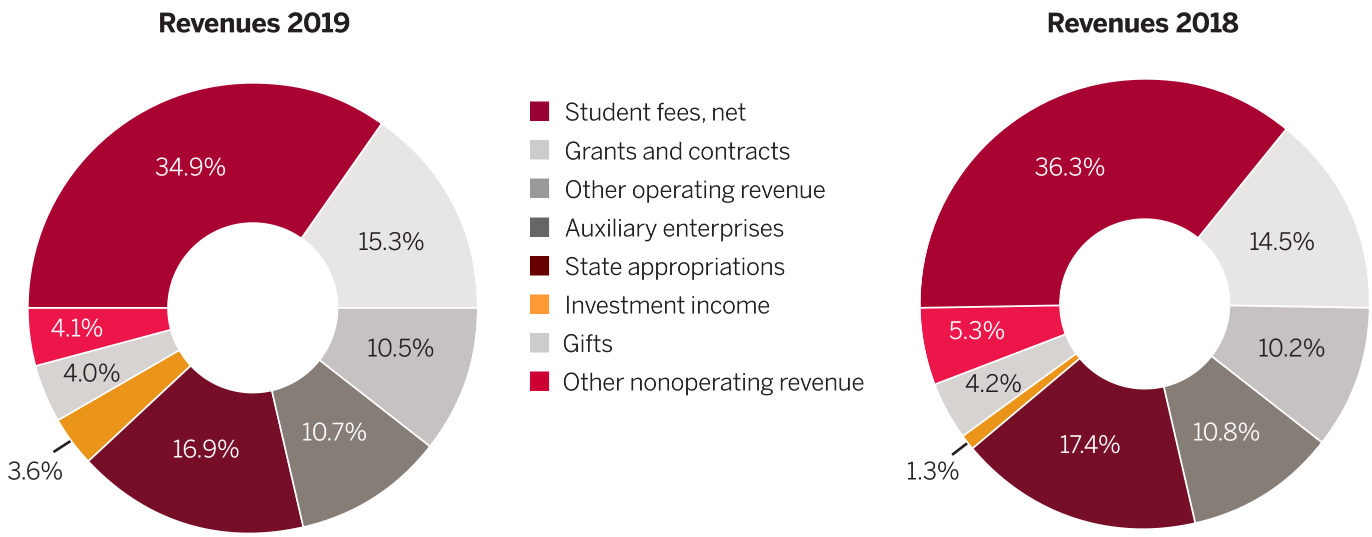
Revenues and expenses are classified as either operating or nonoperating in accordance with GASB principles for classification into these categories. Trends in the relationship between operating revenues and expenses are important indicators of financial condition. Generally, operating revenues are received for providing goods and services and include tuition and fees, grants and contracts, sales and services, and auxiliary revenue. Scholarship discounts and allowances are calculated as the difference between the stated charges for goods and services provided by the university and the amounts paid by students and/or third parties making payments on behalf of students. Nonoperating revenues include state appropriations, revenue from certain grants and contracts, gifts, and net investment income. Operating expenses are those incurred to carry out the normal operations of the university. Indiana University, as a public university, is required by GASB standards to report certain revenue sources that are an integral part of operations as nonoperating revenues.

A summarized comparison of the university's revenues, expenses, and changes in net position is presented below:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	Fiscal Year Ended		
	June 30, 2019	*June 30, 2018*	*June 30, 2017*
Operating revenues	$ 2,462,476	$ 2,385,536	$ 2,316,022
Operating expenses	(3,304,476)	(3,175,110)	(3,063,303)
Total operating loss	**(842,000)**	**(789,574)**	**(747,281)**
Nonoperating revenues	954,023	865,526	876,561
Nonoperating expenses	(33,948)	(31,679)	(33,308)
Income before other revenues, expenses, gains, or losses	**78,075**	**44,273**	**95,972**
Other revenues	32,342	68,281	58,282
Increase in net position	**110,417**	**112,554**	**154,254**
Net position, beginning of year	3,782,139	3,865,539	3,711,285
Adjustment per change in accounting principle	-	(195,954)	-
Net position, beginning of year, as restated	-	3,669,585	-
Net position, end of year	**$ 3,892,556**	**$ 3,782,139**	**$ 3,865,539**

The following charts represent revenues by major source for fiscal years 2019 and 2018:



Operating revenues increased $76,940,000, or 3%, and $69,514,000, or 3%, during 2019 and 2018, respectively. The university supports its operations with diverse revenue sources, of which the largest single source is student tuition and fees. Tuition and fees, net of scholarship allowances, decreased $712,000 and increased $24,007,000 during 2019 and 2018, respectively. Tuition and fee revenue is affected by a combination of changes in tuition rates, enrollment, and the mix of student levels and residency. While institutional resources for financial aid continue to rise relative to external sources, students are using a greater percentage of financial aid to cover tuition and fees and taking less in refunds. Resident undergraduate tuition and fee rates increased by 1.4% at the Bloomington and IUPUI core campuses and 1.9% at IU's five regional campuses for both the 2017–2018 and 2018–2019 academic years. The modest increases reinforce the university's commitment to student affordability. The tuition increases helped to fund student success programming – student academic success, student financial success, and the health and well-being of students. The university has invested significantly in crucial infrastructure to support the research mission across diverse areas of focus. Total operating grant and contract revenues from all sources increased 9% in 2019 and 3% in 2018. Other revenue, including hospital and practice plan support for School of Medicine research and other initiatives, increased $36,660,000 and $25,321,000 in 2019 and 2018, respectively.

Operating expenses increased $129,366,000, or 4%, and $111,807,000, or 4%, in 2019 and 2018, respectively (See Note 15, Functional Expenses). Compensation and benefits, at 65% of total operating expenses, represents the largest single university expense. The university's strategic plan makes a clear statement of commitment to recruit and retain an outstanding, diverse, and inclusive faculty from researchers, scholars, teachers, and creative artists worldwide who are recognized as among the very best in their fields. Compensation and benefits expense increased $74,128,000 and $64,923,000 in 2019 and 2018, respectively. University benefit plans play an important role in attracting and retaining employees and the university has implemented initiatives in recent years to control costs without compromising the competitiveness of the benefit package. The university's High Deductible Health Plan (HDHP) lowers employer premiums while providing employees with greater control over healthcare spending. Approximately 94%

of employees were enrolled in a HDHP in 2019. While overall health care costs have increased, the university's cost trend is well below market benchmarks, largely due to efforts to control pharmacy costs. The university's Bicentennial Strategic Plan articulates a commitment to access and affordability for students. Representative of the Bicentennial Strategic Plan commitment to ensure that an Indiana University education remains financially accessible for all qualified students, the combination of student financial aid expense and scholarship allowances increased $22,032,000, or 5%, and totaled $459,885,000 in 2019. Energy and utilities expense was essentially flat when comparing 2019 to 2018, with an increase of $683,000 compared to a decrease of $730,000 in 2018. Supplies and general expense increased $48,441,000, or 7%, and $37,262,000, or 6%, in 2019 and 2018, respectively. In addition to payment timing differences, the increase in 2019 and 2018 was spread across auxiliary, research, academic, and capital facilities functions.

Nonoperating revenues, net of interest expense, increased $86,228,000, or 10%, and decreased $9,406,000, or 1%, in 2019 and 2018, respectively. State operating appropriations are comprised of appropriations to support the primary general educational mission of the university and student fee replacement appropriations for the purpose of reimbursing a portion of the university's debt service for certain academic facilities. The State of Indiana appropriates operating funds to the state's colleges and universities on a performance-based funding model focused on key student success measures. Non-capital state appropriations totaled $582,403,000 in 2019 and $576,597,000 in 2018, and is the university's second largest revenue source, after tuition and fees. Investment income increased $81,133,000 and decreased $38,790,000 in 2019 and 2018, respectively. The university's operating funds' investments yielded a 6.40% return, net of fees, in 2019, as compared to 0.37% in 2018. Improved fixed income performance was led by decreasing interest rates and corporate credit spreads. Rising equity markets also contributed to performance in 2019, which was mainly reflected in unrealized gains. The decrease in investment income in 2018 was largely due to realized and unrealized losses.

The university recognized $20,047,000 and $46,239,000 in capital appropriations for repairs, renovations, and improvements across all campuses in 2019 and 2018, respectively. Revenue recognized as capital appropriations and capital gifts and grants fluctuates according to availability of capital appropriations, as well as the timing of when funding is brought in to the university according to the needs of the schools and campuses.

Statement of Cash Flows

The Statement of Cash Flows provides information about the university's financial results by reporting the major sources and uses of cash during the fiscal year. The statement assists in evaluating the university's ability to generate future net cash flows to meet its obligations as they become due and aids in analysis of the need for external financing. The statement is divided into four sections based on major activity: operating, noncapital financing, capital and related financing, and investing. A fifth section reconciles the operating income or loss on the Statement of Revenues, Expenses, and Changes in Net Position to the net cash used in operations.

A summarized comparison of the university's changes in cash and cash equivalents is presented below:

Condensed Statement of Cash Flows *(in thousands of dollars)*			
	Fiscal Year Ended		
	June 30, 2019	*June 30, 2018*	*June 30, 2017*
Net cash provided (used) by:			
Operating activities	$ (689,802)	$ (616,202)	$ (651,135)
Noncapital financing activities	828,397	821,232	795,174
Capital and related financing activities	(207,257)	(308,597)	(247,955)
Investing activities	113,600	100,096	52,653
Net increase (decrease) in cash and cash equivalents	**44,938**	**(3,471)**	**(51,263)**
Beginning cash and cash equivalents	223,988	227,459	278,722
Ending cash and cash equivalents	**$ 268,926**	**$ 223,988**	**$ 227,459**

The university's cash and cash equivalents increased $44,938,000 and decreased $3,471,000 in 2019 and 2018, respectively. Net cash flows from operating activities consists primarily of tuition and fees, grants and contracts, and auxiliary enterprise receipts. Payments to employees represent the largest use of cash for operations. Significant sources of cash provided by noncapital financing activities, as defined by GASB, including state appropriations, federal Pell grants, and private noncapital gifts are used to fund operating activities. Fluctuations in capital and related financing activities reflect decisions made relative to the university's capital and financing plans. Cash flows from investing activities include the effects of shifts between cash equivalents and longer-term investments.

State Economic Outlook

For the third year in a row, fiscal year 2019 state general fund revenues significantly exceeded both forecast as well as prior year collections. State revenues for 2019 were $266,800,000, or 1.7%, above forecast and $834,900,000, or 5.4%, above fiscal year 2018 collections. Sales tax collections, the largest single state tax revenue source, grew at a modest rate of 3.3% over fiscal year 2018, while individual income tax collections grew at a strong rate of 4.1% over 2018. Rounding out the state's "Big 3" tax revenues, corporate income tax collections were a robust $287,900,000 or 43.6% above fiscal year 2018, even though these taxes accounted for only 5.8% of all state tax sources in fiscal year 2019. The state's overall fiscal standing remains strong with total reserve balances equal to $2,270,100,000 at June 30, 2019, or 13.3% of fiscal year 2020 general fund appropriations.

Looking ahead to fiscal year 2020, reflecting expectations for modest, but continued economic growth, total state revenues were forecast in April 2019 to increase by $412,600,000, or 2.6%, over fiscal year 2019 forecast revenues. Fortunately, because actual revenue collections in fiscal year 2019 were $266,800,000 above forecast, revenue growth of only $145,800,000 or 0.9%, is required to achieve the fiscal year 2020 revenue forecast level. Thus, the state has a considerable cushion should actual revenue collections in fiscal year 2020 fall short of forecast.

Indiana's unemployment rate was 3.5% at the beginning of fiscal 2019 (in July 2018) and at the end of the fiscal year in June 2019, comparing favorably to the national unemployment rate of 3.7% in June 2019. In conclusion, both Indiana and the national economies are expanding, albeit in an environment in which much economic uncertainty continues to exist. Finally, continuing Indiana's tradition of conservative and effective fiscal management, the state's reserves standing compares favorably with most states.

(in thousands of dollars)	June 30, 2019	June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 268,926	$ 223,988
Accounts receivable, net	136,628	133,858
Current portion of notes and pledges receivable	12,780	13,672
Inventories	9,621	10,172
Short-term investments	159,725	136,879
Other assets	55,729	48,649
Total current assets	**643,409**	**567,218**
Noncurrent assets		
Notes and pledges receivable	47,866	54,836
Investments	1,617,311	1,627,984
Capital assets, net	3,354,987	3,278,609
Total noncurrent assets	**5,020,164**	**4,961,429**
Total assets	**5,663,573**	**5,528,647**
Deferred outflows of resources	**88,336**	**117,817**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	200,644	197,118
Unearned revenue	94,460	110,592
Current portion of capital lease obligations	1,937	2,468
Current portion of long-term debt and other obligations	128,549	95,517
Total current liabilities	**425,590**	**405,695**
Noncurrent liabilities		
Capital lease obligations	1,800	3,725
Notes payable	173,141	181,218
Assets held in custody for others	73,885	74,043
Unearned revenue	47,156	37,388
Bonds payable	756,817	744,507
Net pension liability	68,576	92,066
Postemployment benefits liability (total)	254,629	268,543
Other long-term liabilities	30,573	33,606
Total noncurrent liabilities	**1,406,577**	**1,435,096**
Total liabilities	**1,832,167**	**1,840,791**
Deferred inflows of resources	**27,186**	**23,534**
Net Position		
Net investment in capital assets	2,391,112	2,320,100
Restricted for:		
Nonexpendable - endowments	58,984	60,213
Expendable		
Scholarships, research, instruction, and other	122,944	130,308
Loans	20,647	19,159
Capital projects	77,539	59,969
Debt service	16,972	16,871
Unrestricted	1,204,358	1,175,519
Total net position	**$ 3,892,556**	**$ 3,782,139**

The accompanying notes to the financial statements are an integral part of this statement.

Indiana University Foundation

Statements of Financial Position
June 30, 2019 and 2018
(In thousands)

	2019	2018
Assets		
Cash and cash equivalents	$ 43,505	$ 65,047
Collateral under securities lending agreement	98,251	90,182
Receivables and other assets	19,123	23,165
Due from brokers	67,499	31,157
Promises to give, net	251,707	228,242
Investments	2,677,524	2,558,430
Property, plant and equipment, net	58,327	62,246
Total assets	$ 3,215,936	$ 3,058,469
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other	$ 6,194	$ 8,828
Due to brokers	76,873	59,019
Collateral under securities lending agreement	98,251	90,182
Split interest agreement obligations	42,633	38,754
Assets held for the University	240,662	238,529
Assets held for University affiliates	42,461	42,257
Total liabilities	507,074	477,569
Net assets:		
Without donor restrictions	96,808	84,897
With donor restrictions	2,612,054	2,496,003
Total net assets	2,708,862	2,580,900
Total liabilities and net assets	$ 3,215,936	$ 3,058,469

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(in thousands of dollars)	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Operating revenues		
Tuition and fees	$ 1,514,263	$ 1,487,951
Less scholarship allowance	(310,174)	(283,150)
Federal grants and contracts	359,055	328,545
State and local grants and contracts	20,875	20,886
Nongovernmental grants and contracts	147,701	132,693
Sales and services of educational units	26,962	39,244
Other revenue	335,984	299,324
Auxiliary enterprises (net of scholarship allowance of $42,536 in 2019 and $39,775 in 2018)	367,810	360,043
Total operating revenues	**2,462,476**	**2,385,536**
Operating expenses		
Compensation and benefits	2,148,718	2,074,590
Student financial aid	149,711	154,703
Energy and utilities	76,074	75,391
Travel	61,764	57,214
Supplies and general expense	703,512	655,071
Depreciation and amortization expense	164,697	158,141
Total operating expenses	**3,304,476**	**3,175,110**
Total operating loss	**(842,000)**	**(789,574)**
Nonoperating revenues (expenses)		
State appropriations	582,403	576,597
Grants and contracts	108,384	107,028
Investment income	124,744	43,611
Gifts	138,492	138,290
Interest expense	(33,948)	(31,679)
Net nonoperating revenues	**920,075**	**833,847**
Income before other revenues, expenses, gains, or losses	**78,075**	**44,273**
Capital appropriations	20,047	46,239
Capital gifts and grants	12,242	21,817
Additions to permanent endowments	53	225
Total other revenues	**32,342**	**68,281**
Increase in net position	**110,417**	**112,554**
Net position, beginning of year	3,782,139	3,865,539
Adjustment per change in accounting principle	-	(195,954)
Net position, beginning of year, as restated	-	3,669,585
Net position, end of year	**$ 3,892,556**	**$ 3,782,139**

The accompanying notes to the financial statements are an integral part of this statement.

Indiana University Foundation

Statement of Activities
Year Ended June 30, 2019
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	$ 2,281	$ 187,667	$ 189,948
Investment income, net	16,492	106,998	123,490
Management/administrative fees	21,944	(18,724)	3,220
Grants	-	11,582	11,582
Other income	11,220	5,760	16,980
Development service fees from the University	4,416	-	4,416
Change in value of split interest agreements	9	399	408
Net assets released from restrictions	177,631	(177,631)	-
Total support and other revenue	233,993	116,051	350,044
Expenses:			
Grants and aid to the University	177,945	-	177,945
Management and general	23,247	-	23,247
Fundraising	20,890	-	20,890
Total expenses	222,082	-	222,082
Change in net assets	11,911	116,051	127,962
Net assets, beginning of year	84,897	2,496,003	2,580,900
Net assets, end of year	$ 96,808	$ 2,612,054	$ 2,708,862

See notes to financial statements.

(in thousands of dollars)	Fiscal Year Ended June 30, 2019	June 30, 2018
Cash Flows from Operating Activities		
Student fees	$ 1,200,569	$ 1,204,253
Grants and contracts	525,580	521,971
Sales and services of educational activities	24,201	40,541
Auxiliary enterprise charges	370,794	370,044
Other operating receipts	332,108	294,056
Payments to employees	(2,157,841)	(2,086,817)
Payments to suppliers	(844,196)	(810,172)
Student financial aid	(149,960)	(155,891)
Student loans collected	13,577	13,464
Student loans issued	(4,634)	(7,651)
Net cash used in operating activities	**(689,802)**	**(616,202)**
Cash Flows from Noncapital Financing Activities		
State appropriations	582,044	576,597
Nonoperating grants and contracts	108,384	107,028
Gifts and grants received for other than capital purposes	137,926	137,133
Direct lending receipts	499,600	473,150
Direct lending payments	(499,557)	(472,676)
Net cash provided by noncapital financing activities	**828,397**	**821,232**
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	20,047	46,239
Capital grants and gifts received	7,352	41,039
Purchase of capital assets	(238,323)	(294,598)
Proceeds from issuance of capital debt, including refunding and other long term obligations	115,805	20,400
Principal paid on capital leases	(65,955)	(71,526)
Principal paid on capital leases	(2,736)	(2,375)
Interest paid on capital debt and leases	(43,447)	(47,776)
Net cash used in capital and related financing activities	**(207,257)**	**(308,597)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	8,553,704	8,311,497
Investment income	52,787	55,095
Purchase of Investments	(8,492,891)	(8,266,496)
Net cash provided by investing activities	**113,600**	**100,096**
Net increase (decrease) in cash and cash equivalents	**44,938**	**(3,471)**
Cash and cash equivalents, beginning of year	223,988	227,459
Cash and cash equivalents, end of year	**$ 268,926**	**$ 223,988**

The accompanying notes to the financial statements are an integral part of this statement.

Reconciliation of operating loss to net cash used in operating activities:

(in thousands of dollars)	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Operating loss	$ (842,000)	$ (789,574)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	164,697	158,141
Loss on disposal of capital assets	1,470	2,266
Changes in assets and liabilities:		
Accounts receivable	(2,301)	8,539
Inventories	549	(496)
Other assets	(7,079)	(1,674)
Notes receivable	7,861	4,669
Accounts payable and accrued liabilities	3,340	(22,195)
Unearned revenue	(6,364)	42,204
Assets held in custody for others	(157)	(4,765)
Net pension liability and related deferreds	(2,623)	(2,117)
Postemployment benefits liability (total)	(4,547)	(15,257)
Other noncurrent liabilities	(2,648)	4,057
Net cash used in operating activities	**$ (689,802)**	**$ (616,202)**

The accompanying notes to the financial statements are an integral part of this statement.

Note 1—Organization and Summary of Significant Accounting Policies

ORGANIZATION: Indiana University (the "university") is a major public research institution with fiscal responsibility for operations on seven campuses. Core campuses are located in Bloomington and Indianapolis ("Indiana University Purdue University at Indianapolis", or "IUPUI"), and regional campuses are located in Richmond ("IU East"), Kokomo ("IU Kokomo"), Gary ("IU Northwest"), South Bend ("IU South Bend"), and New Albany ("IU Southeast"). The financial statements include the individual schools, colleges, and departments as part of the comprehensive reporting entity. The university was established by state legislative act in 1838, changing the name of its predecessor, Indiana College, to Indiana University. The university's governing body, the Trustees of Indiana University (the "trustees"), is comprised of nine members charged by Indiana statutes with policy and decision-making authority to carry out the programs and missions of the university. Six of the members are appointed by the Governor of Indiana, and three are elected by university alumni. The university is a state-supported institution and is classified as exempt from federal income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3), and also under Section 115(a). Certain revenues of the university may be subject to federal income tax as unrelated business income under Internal Revenue Code Sections 511 to 514.

BASIS OF PRESENTATION: The university's fiscal year ends on June 30th. All references herein for the years 2019 and 2018 represent the fiscal years ended June 30, 2019 and 2018, respectively. The university financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The university reports on a consolidated basis with a comprehensive, entity-wide presentation of the university's assets and deferred outflows, liabilities and deferred inflows, net position, revenues, expenses, changes in net position, and cash flows. All significant intra-university transactions are eliminated upon consolidation. The university follows all applicable GASB pronouncements. Unless otherwise specified, amounts presented within the notes to financial statements are rounded to the nearest thousands.

The university reports as a special-purpose government entity engaged primarily in business-type activities, as defined by GASB. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

As a component unit of the state, the university is included as a discrete entity in the State of Indiana's Comprehensive Annual Financial Report.

REPORTING ENTITY: The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 80, *Blending Requirements for Certain Component Units,* as well as additional requirements of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* provide criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for these organizations. Based on these criteria, the financial report includes the university and its blended and discretely presented component units.

DISCRETELY PRESENTED COMPONENT UNIT: The Indiana University Foundation, Inc. (IU Foundation) is organized as a not-for-profit corporation under the laws of the State of Indiana for the exclusive purpose of supporting the university by receiving, holding, investing, and administering property and making expenditures to or for the benefit of the university. The IU Foundation is considered a component unit of the university, which requires discrete presentation. Accordingly, the IU Foundation's audited financial statements are presented in their original formats on separate pages.

The IU Foundation is a not-for-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities.* As such, certain revenue recognition criteria and presentation features differ from GASB revenue recognition criteria and presentation features. No modifications have been made to the IU Foundation's financial information in the university's financial reporting to adjust for these differences. The IU Foundation distributed $170,744,000 and $221,200,000 to the university during fiscal years 2019 and 2018, respectively. Complete financial statements for the IU Foundation can be obtained from: Indiana University Foundation, Attn: Controller, PO Box 500, Bloomington, IN 47402.

BLENDED COMPONENT UNIT: In September 2008, the Trustees of Indiana University directed, by resolution, that the Indiana University Building Corporation (IUBC) be formed to serve specific purposes on behalf of the university and designated that certain university administrative officers, by virtue of their titles, serve as directors and officers of IUBC. The sole purpose of IUBC is to assist the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease-purchase basis. The IUBC is reported as a blended component unit of the university and is consolidated within the university's financial statements.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less that bear little or no market risk. Restricted cash and cash equivalents includes unspent bond proceeds restricted for capital expenditures.

ACCOUNTS RECEIVABLE: Accounts receivable consists primarily of amounts due from students, grants and contracts, and auxiliary enterprises and are recorded net of estimated uncollectible amounts.

NOTES RECEIVABLE: Notes receivable consists primarily of student loan repayments due to the university.

INVESTMENTS: Investments are stated at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The university values its investments using a hierarchy of valuation inputs based upon the extent to which the inputs are observable in the marketplace.

Realized and unrealized gains and losses are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

CAPITAL ASSETS: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of contribution in the case of gifts. The university capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Capital assets also include land improvements and infrastructure costing in excess of $75,000. Buildings and building renovations that increase the useful life of the building costing $75,000 or more are capitalized. Intangible assets with a cost of $500,000 or more are subject to capitalization. Art and museum objects purchased by or donated to the university are capitalized if the value is $5,000 or greater. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally three to twenty years for equipment, ten years for library books, ten to forty years for infrastructure and land improvements, and fifteen to forty years for buildings and building components. Useful lives for capital assets are established using a combination of the American Hospital Association guidelines, Internal Revenue Service guidelines, and documented university experience. Land and capitalized art and museum collections are not depreciated.

DEFERRED OUTFLOWS OF RESOURCES: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred outflows for the university were as follows:

(dollar amounts presented in thousands)

Deferred Outflows of Resources Related to:	*June 30, 2019*	*June 30, 2018*
Accumulated deferred charges on refundings of capital debt	$ 16,270	$ 19,171
Net pension liability under GASB No. 68, *Accounting and Financial Reporting for Pensions*	18,411	43,371
Total OPEB liability under GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	53,655	55,275
Total deferred outflows of resources	**$ 88,336**	**$ 117,817**

COMPENSATED ABSENCES: Liabilities for compensated absences are recorded for vacation leave based on actual earned amounts for eligible employees who qualify for termination payments. Liabilities for sick leave are recorded for employees who are eligible for and have earned termination payments for accumulated sick days upon termination or retirement.

UNEARNED REVENUE: Unearned revenue is recorded for current cash receipts of student tuition and fees and certain auxiliary goods and services that will be recorded as revenue in future periods. Also included are amounts received from contract and grant sponsors that have not yet been earned.

DEFERRED INFLOWS OF RESOURCES: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred inflows for the university were as follows:

(dollar amounts presented in thousands)

Deferred Inflows of Resources Related to:	*June 30, 2019*	*June 30, 2018*
Net pension liability under GASB No. 68, *Accounting and Financial Reporting for Pensions*	$ 14,708	$ 18,801
Total OPEB liability under GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	12,478	4,733
Total deferred inflows of resources	**$ 27,186**	**$ 23,534**

NET POSITION: The university's net position is classified for financial reporting in the following categories:

- *Net investment in capital assets:* This component of net position includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- *Restricted—nonexpendable:* Assets included in the nonexpendable restricted net position category are subject to externally imposed stipulations that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal. Such assets include permanent endowment funds.
- *Restricted—expendable:* Resources classified as restricted and expendable are those for which the university is legally obligated to spend in accordance with externally imposed stipulations or those stipulations that expire with the passage of time.
- *Unrestricted:* Unrestricted resources are not subject to externally imposed restrictions and are primarily used for meeting expenses for academic and general operations of the university.

When an expense is incurred for which both restricted and unrestricted resources are available, the university's policy is to apply the most appropriate fund source based on the relevant facts and circumstances.

REVENUES AND EXPENSES: University revenues and expenses are classified as either operating or nonoperating as follows:

- *Operating revenues:* Operating revenues result from exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), government and other grants and contracts, and sales and services of auxiliary enterprises (net of scholarship discounts and allowances).
- *Operating expenses:* Operating expenses are incurred to support exchange transactions resulting in operating revenue. Examples include compensation and benefits, student financial aid, and supplies and general expense.
- *Non-operating revenues and expenses:* Non-operating revenues and expenses include those derived from non-exchange transactions such as gifts, certain federal and state grants, and interest expense. Non-operating revenues include significant revenue sources that are relied upon for operations, such as state appropriations, federal Pell grants, and investment income.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES: Student tuition and fees and other student revenues are reported gross with the related scholarship discounts and allowances directly below in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are calculated as the difference between the stated charges for goods and services provided by the university and the amounts paid by students and/or third parties making payments on behalf of students.

NEW ACCOUNTING PRONOUNCEMENTS: Effective for fiscal year ended June 30, 2019, the university adopted GASB 83, *Certain Asset Retirement Obligations.* This statement establishes criteria for governments to recognize and measure certain asset retirement obligations (ARO), including obligations that have been previously reported. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability under this guidance. The adoption of this guidance by the university did not have a material impact on its consolidated financial statements.

Effective for fiscal year ended June 30, 2019, the university adopted GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Replacements.* This statement defines debt for the purpose of disclosure in the notes to the financial statements and expands certain disclosures for direct borrowings and placements. The adoption of this guidance by the university has been applied retroactively and impacts Note 8, Bonds and Notes Payable and Other Obligations of the consolidated financial statements.

RECLASSIFICATIONS: Certain reclassifications have been made to prior year statements and certain notes for comparative purposes and do not constitute a restatement of prior periods.

Note 2—Deposits and Investments

CUSTODIAL CREDIT RISK–DEPOSITS: The combined bank balances of the university's demand deposits were $39,511,000 and $78,676,000 with balances subject to custodial credit risk in the amount of $6,252,000 and $7,265,000 at June 30, 2019 and 2018, respectively. Of this amount, $4,249,000 and $5,091,000 was uninsured and uncollateralized and $2,003,000 and $2,174,000 was uninsured and collateralized with securities held by the pledging financial institution at June 30, 2019 and 2018, respectively. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university does not have a formal deposit policy for custodial credit risk, however the university monitors the credit rating and certain financial performance metrics of its custodial and commercial banks on a quarterly basis.

DEPOSITS AND INVESTMENTS: The trustees have acknowledged responsibility as a fiduciary body for the invested assets of the university. Indiana Code 30-4-3-3 requires the trustees to "exercise the judgment and care required by Indiana Code 30-4-3.5," the *Indiana Uniform Prudent Investor Act.* That act requires the trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." The trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the university's investment policy. The trustees have delegated the day-to-day responsibilities for overseeing the investment program to the Office of the Treasurer.

At June 30, 2019 and 2018, the university had deposits and investments, including endowment funds, as shown below:

(dollar amounts presented in thousands)

	June 30, 2019	*June 30, 2018*
Cash and cash equivalents	$ 268,926	$ 223,988
Short-term investments	159,725	136,879
Investments	1,617,311	1,627,984
Total deposits and investments	**$ 2,045,962**	**$ 1,988,851**

CUSTODIAL CREDIT RISK–INVESTMENTS: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university manages custodial credit risk through the types of investments that are allowed by investment policy. The university also monitors the credit rating and certain financial performance metrics of its custodial and commercial banks. The university had $2,330,000 and $2,290,000 exposed to custodial credit risk at June 30, 2019 and 2018, respectively. The university had $15,160,000 and $39,143,000 where custodial credit risk could not be determined at June 30, 2019 and 2018, respectively. The remainder of the university's investments is not exposed to custodial credit risk and reflects either investment securities registered in the name of the university, investment securities loaned for collateral received, or other types of investments not exposed to custodial credit risk.

Frank E. McKinney Jr. Fountain
In front of Simon Music Center, Jacobs School of Music; Bloomington

INTEREST RATE RISK: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a deposit or investment. The university's policy for controlling its exposure to fair value losses arising from increasing interest rates is to constrain average portfolio duration within ranges of a target portfolio duration set for each portfolio of operating fund investments. The portfolios may seek to enhance returns by attempting to time movements of interest rates within the allowable ranges. The university invests in asset-backed securities, collateralized mortgage obligations, mortgage pass through securities, interest rate swaps, and swaptions that are highly sensitive to interest rate changes.

The university had fixed-rate debt securities with the following maturities at June 30, 2019:

(dollar amounts presented in thousands)

	Fair Value	*Maturities (in years)*			
Deposit and Investment Type	*June 30, 2019*	*Less than 1*	*1–5*	*6-10*	*More than 10*
Corporate bonds	$ 303,553	$ 64,382	$ 180,043	$ 29,460	$ 29,668
Government bonds	211,912	54,620	61,280	53,276	42,736
Asset-backed securities	178,447	3,603	86,965	13,301	74,578
Government issued asset-backed securities	132,189	1,811	13,061	14,760	102,557
Other fixed income funds	127,639	88,007	9,549	3,599	26,484
Total	**953,740**	**$ 212,423**	**$ 350,898**	**$ 114,396**	**$ 276,023**
Deposits and investments not subject to interest rate risk:					
U.S. equities	382,087				
Money market funds	290,211				
External investment pools	246,815				
International equities	152,103				
All other	21,006				
Total deposits and investments	**$ 2,045,962**				

The university had fixed-rate debt securities with the following maturities at June 30, 2018:

(dollar amounts presented in thousands)

	Fair Value	Maturities (in years)			
Deposit and Investment Type	*June 30, 2018*	*Less than 1*	*1–5*	*6-10*	*More than 10*
Corporate bonds	$ 384,165	$ 65,102	$ 244,467	$ 41,662	$ 32,934
Government bonds	299,808	55,270	129,357	63,396	51,785
Asset-backed securities	258,870	916	127,026	22,624	108,304
Government issued asset-backed securities	132,282	2,052	18,324	12,673	99,233
Other fixed income funds	172,706	116,525	18,867	14,958	22,356
Total	**1,247,831**	**$ 239,865**	**$ 538,041**	**$ 155,313**	**$ 314,612**
Deposits and investments not subject to interest rate risk:					
External investment pools	246,439				
Money market funds	195,244				
U.S. equities	176,189				
International equities	71,358				
All other	51,790				
Total deposits and investments	**$ 1,988,851**				

CREDIT RISK: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The weighted average credit quality of each portfolio of university operating funds investments must be at least 'AA-/Aa3' for Defensive Managers, 'A/A2' for Core Plus Managers, or as specified in each manager's guidelines.

The credit ratings for the university's deposits and investments subject to credit risk as of June 30, 2019 are shown below:

(dollar amounts presented in thousands)

Investment Type	*Fair Value*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Below BB*	*Not Rated*
Corporate bonds	$ 303,553	$ 1,851	$ 17,657	$ 101,917	$ 134,822	$ 33,999	$ 9,933	$ 3,374
Government bonds	211,912	6,001	164,452	17,226	6,768	8,004	6,201	3,260
Asset-backed securities	178,447	121,037	9,375	7,649	8,313	2,248	8,083	21,742
Government issued asset-backed securities	132,189	491	1,064	706	-	-	129,928	-
Other fixed income funds	127,639	-	-	-	1,387	5,698	5,417	115,137
Money market funds	290,211	285,395	-	-	-	-	-	4,816
External investment pools	246,815	-	-	-	-	-	-	246,815
Total	**1,490,766**	**$ 414,775**	**$192,548**	**$127,498**	**$151,290**	**$49,949**	**$159,562**	**$395,144**
Percentage subject to credit risk		**27.82%**	**12.92%**	**8.55%**	**10.15%**	**3.35%**	**10.70%**	**26.51%**
Not subject to credit risk	555,196							
Total deposits and investments	**$ 2,045,962**							

The credit ratings for the university's deposits and investments subject to credit risk as of June 30, 2018 are shown below:

(dollar amounts presented in thousands)

Investment Type	*Fair Value*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Below BB*	*Not Rated*
Corporate bonds	$ 384,165	$ 3,144	$ 21,447	$ 138,567	$ 140,567	$ 51,203	$ 16,419	$ 12,818
Government bonds	299,808	4,731	233,756	28,658	6,238	12,012	10,769	3,644
Asset-backed securities	258,870	168,709	15,062	9,514	11,097	6,113	14,862	33,513
Government issued asset-backed securities	132,282	546	3,971	-	1,769	-	125,996	-
Other fixed income funds	172,706	-	-	-	2,178	12,403	10,657	147,468
Money market funds	195,244	192,622	-	-	-	-	-	2,622
External investment pools	246,439	-	-	-	-	-	-	246,439
Total	**1,689,514**	**$369,752**	**$274,236**	**$176,739**	**$161,849**	**$ 81,731**	**$ 178,703**	**$ 446,504**
Percentage subject to credit risk		**21.89%**	**16.23%**	**10.46%**	**9.58%**	**4.84%**	**10.58%**	**26.42%**
Not subject to credit risk	299,337							
Total deposits and investments	**$ 1,988,851**							

CONCENTRATION OF CREDIT RISK: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The university's investment policy requires that deposits and investments are to be diversified to the extent that the securities of any single issuer shall be limited to 3.5% of the market value in a particular manager's portfolio or as specified in each manager's guidelines. The individual issuer limit does not apply to securities within a broadly-diversified, passively-managed index fund designed to represent a broad market.

FOREIGN CURRENCY RISK: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's deposits and investments. The university's policy for controlling exposure to foreign currency risk is to constrain deposits and investments in non-U.S. dollar denominated debt to 25% of an individual manager's portfolio or as specified in each manager's guidelines. Minimal foreign currency exposure could occur if one of the university's investment managers purchases non-U.S. dollar holdings and does not hedge the currency. At June 30, 2019 and 2018, the university had immaterial amounts of deposits and investments exposed to foreign currency risk.

ENDOWMENTS: Endowment funds are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation dated November 14, 2005, which delegates investment management responsibilities to the IU Foundation. Indiana Code 30-2-12, *Uniform Management of Institutional Funds,* sets forth the provisions governing the investment of endowment assets and the expenditure of endowment fund appreciation. The code requires that the trustees and their agents act in good faith and with the care a prudent person acting in a like position would use under similar circumstances, with respect to the investment of endowment assets. The code also sets forth provisions governing the expenditure of endowment fund appreciation, under which the trustees may authorize expenditures, consistent with donor intent. The trustees may, at their discretion, direct all or a portion of the university's endowment funds to other deposits or investments, exclusive of the IU Foundation's investment funds. Funds held by endowments managed by the IU Foundation are used to acquire pooled shares. The spending policy of the trustees is to distribute 4.5% of the twelve quarter rolling average of pooled fund share values multiplied by the current number of shares held. The amounts of net appreciation on investments of donor-

Medical Research and Library Building
IU School of Medicine, Indianapolis

restricted endowments that are available for expenditure are $39,685,000 and $40,534,000 as of June 30, 2019 and 2018, respectively. These amounts are reported as restricted expendable for scholarships, research, instruction, and other in net position.

Endowment funds have a perpetual investment horizon and, as appropriate, may be invested in asset classes better suited to IU Foundation's longer time horizon, including but not limited to: stocks, bonds, real estate, private placements, and alternative investments. Endowment assets may be invested in commingled funds, direct investments, or a combination of the two. Assets will typically be diversified among high quality stocks and bonds. Additional asset classes such as absolute return, private equity, and real asset investments, may be included when it is reasonable to expect these investments will either increase return, reduce risk, or both. Participation in the pooled investments is achieved by owning units of the Pooled Long-Term Fund and is considered an external investment pool to the university. The external investment pool is not registered with the Securities and Exchange Commission and does not have regulatory oversight. The Investment Committee of the IU Foundation Board of Directors provides direct oversight of the pool. At June 30, 2019, all endowments held with the IU Foundation were invested in pooled funds. The fair value of the university's position in the pool is the same as the value of the pool shares. The Pooled Long-Term portfolio is diversified based on manager selection, investment style, geography, and asset type to avoid any disproportionate risk related to any one industry or security.

POOLED SHORT TERM FUND (PSTF): Spending policy distributions from the Endowment funds are held in the PSTF until utilized by the university. The IU Foundation's PSTF Investment Policy Statement governs the deposit and investment of PSTF assets. Objectives of the PSTF include providing for the preservation of capital for account holders and maintenance of adequate liquidity to meet spending requirements.

The PSTF deposits and investments are managed to address appropriate diversification, specifically to mitigate interest rate risk and protect the fund against a concentration of credit risk. The IU Foundation's PSTF policy limits commercial paper, certificates of deposit, bankers' acceptances, and repurchase agreements to $10,000,000 per issuer with the exception of U.S. Treasuries and Agencies, or accounts collateralized by Treasuries or Agencies. In addition, individual funds or managers such as money market funds and short-term bond funds, are not to exceed $50,000,000 or 15% of the portfolio.

Note 3—Fair Value Measurements

The university categorizes its fair value measurements within the fair value hierarchy as established by GASB Statement No. 72, *Fair Value Measurement and Application.* The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant, other observable inputs; Level 3 inputs are significant, unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The university had the following recurring fair value measurements as of June 30, 2019:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2019	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Investments by fair value level:				
Debt securities				
Corporate bonds	$ 303,303	$ -	$ 302,823	$ 480
Collateralized obligations and mortgage-backed securities	311,100	-	308,986	2,114
Government bonds	209,514	-	209,498	16
Inflation index linked notes	25,780	-	18,557	7,223
Bank loans	13,194	-	13,194	-
Commingled funds	26,484	22,088	-	4,396
Municipal and provincial bonds	3,638	-	3,638	-
Total debt securities	**893,013**	**22,088**	**856,696**	**14,229**
Equity securities	534,174	534,174	-	-
External investment pool	246,815	-	-	246,815
Real estate	6,269	-	-	6,269
All other	8,388	-	8,388	-
Total investments by fair value level	**1,688,659**	**$ 556,262**	**$ 865,084**	**$ 267,313**
Investments measured at the net asset value (NAV):				
Commingled bond fund	87,960			
Venture capital	417			
Total investments measured at the NAV	**88,377**			
Total investments measured at fair value	**$ 1,777,036**			

The university had the following recurring fair value measurements as of June 30, 2018:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2018	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Investments by fair value level:				
Debt securities				
Corporate bonds	$ 384,165	$ -	$ 383,662	$ 503
Collateralized obligations and mortgage-backed securities	391,152	-	386,424	4,728
Government bonds	272,846	-	272,828	18
Inflation index linked notes	21,412	-	21,412	-
Bank loans	33,825	-	33,825	-
Commingled funds	22,356	18,134	-	4,222
Municipal and provincial bonds	6,399	-	6,399	-
Total debt securities	**1,132,155**	**18,134**	**1,104,550**	**9,471**
Equity securities	246,953	246,953	-	-
External investment pool	246,439	-	-	246,439
Real estate	6,269	-	-	6,269
All other	15,761	418	15,343	-
Total investments by fair value level	**1,647,577**	**$ 265,505**	**$ 1,119,893**	**$ 262,179**
Investments measured at the net asset value (NAV):				
Commingled bond fund	116,525			
Venture capital	761			
Total investments measured at the NAV	**117,286**			
Total investments measured at fair value	**$ 1,764,863**			

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The university's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Debt securities classified in level 1 at June 30, 2019 and 2018, are valued using unadjusted quoted prices in active markets for those securities.

The fair value of debt securities at June 30, 2019 and 2018, are determined primarily based on level 2 inputs. The university estimates the fair value of these investments using observable, market-based inputs. Observable inputs are those that market participants would use in pricing the asset based on market data obtained from independent sources such as quoted market prices, reported sales of similar securities, and reference data.

The fair value of debt securities at level 3 at June 30, 2019 and 2018, are determined using extrapolated data, proprietary models, indicative quotes, or similar techniques taking into account the characteristics of the asset.

The fair value of equity securities at level 1 at June 30, 2019 and 2018, are valued using unadjusted quoted prices in active markets for those securities.

The fair value of external investment pools at June 30, 2019 and 2018, are determined primarily based on level 3 inputs. A monthly valuation assigned to the shares of the pool is used to determine the fair value of the investment pools. A significant portion of the investment pool, approximately $239,900,000 and $237,481,000 respectively at June 30, 2019 and 2018, was held at the IU Foundation. The fair value hierarchy of the foundation's investments can be found in Note 18, Indiana University Foundation Notes to Financial Statements.

The university holds several parcels of real estate for investment purposes. The fair values of these properties are based on appraisals received in June 2016. Since new appraisals were not received for this fiscal year, real estate is classified as level 3 at June 30, 2019 and 2018.

The fair value of all other investments at June 30, 2019 and 2018, are determined primarily based on level 2 inputs. The university estimates the fair value of these investments using observable, market-based inputs.

The university holds shares or interests in commingled bond funds where the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment company as a practical expedient. The commingled bond fund's investment objective is to invest primarily in a portfolio of higher-yielding fixed income securities. There are no unfunded commitments and the investment can be redeemed with a written three-day notice.

The university holds shares or interests in a venture capital investment company where the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment company as a practical expedient. The company invests in venture capital firms with the objective that 60% of these are in Indiana and 60% are in the life sciences field. The unfunded commitment was approximately $4,000 as of June 30, 2019 and 2018. This investment cannot be redeemed until the earlier of December 31, 2020, or one year after the date on which all of the fund's investments have been liquidated.

Note 4—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2019 and 2018:
(dollar amounts presented in thousands)

	June 30, 2019	*June 30, 2018*
Student accounts	$ 50,637	$ 49,506
Auxiliary enterprises and other operating activities	64,590	62,767
Federal, state, and other grants and contracts	18,118	19,588
Capital appropriations and gifts	3,332	2,451
Other	8,172	8,584
Current accounts receivable, gross	**144,849**	**142,896**
Less allowance for uncollectible accounts	(8,221)	(9,038)
Current accounts receivable, net	**$ 136,628**	**$ 133,858**

Note 5—Capital Assets

Fiscal year ended June 30, 2019

(dollar amounts presented in thousands)

	Balance June 30, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Assets not being depreciated:					
Land	$ 83,060	$ 2,797	$ -	$ -	$ 85,857
Art & museum objects	101,133	4,000	-	-	105,133
Construction in progress	195,073	115,671	(148,645)	-	162,099
Total capital assets not being depreciated	**379,266**	**122,468**	**(148,645)**	**-**	**353,089**
Other capital assets:					
Infrastructure	248,367	6,955	2,231	-	257,553
Intangibles	12,842	-	-	-	12,842
Land improvements	85,385	4,785	159	-	90,329
Equipment	472,970	37,378	16,172	26,165	500,355
Library books	169,852	6,769	-	25,771	150,850
Buildings	4,356,574	64,486	130,083	1,530	4,549,613
Total other capital assets	**5,345,990**	**120,373**	**148,645**	**53,466**	**5,561,542**
Less accumulated depreciation for:					
Infrastructure	164,792	5,547	-	-	170,339
Intangibles	10,872	1,093	-	-	11,965
Land improvements	33,829	4,363	-	-	38,192
Equipment	341,958	37,163	-	25,283	353,838
Library books	104,855	16,114	-	25,771	95,198
Buildings	1,790,341	100,417	-	646	1,890,112
Total accumulated depreciation, other capital assets	**2,446,647**	**164,697**	**-**	**51,700**	**2,559,644**
Capital assets, net	**$ 3,278,609**	**$ 78,144**	**$ -**	**$ 1,766**	**$ 3,354,987**

Fiscal year ended June 30, 2018

(dollar amounts presented in thousands)

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Assets not being depreciated:					
Land	$ 80,524	$ 2,536	$ -	$ -	$ 83,060
Art & museum objects	93,928	7,205	-	-	101,133
Construction in progress	228,213	128,134	(161,155)	119	195,073
Total capital assets not being depreciated	**402,665**	**137,875**	**(161,155)**	**119**	**379,266**
Other capital assets:					
Infrastructure	238,810	6,175	3,382	-	248,367
Intangibles	12,329	513	-	-	12,842
Land improvements	83,723	1,556	106	-	85,385
Equipment	461,971	33,472	4,847	27,320	472,970
Library books	186,732	6,561	-	23,441	169,852
Buildings	4,100,948	107,247	152,820	4,441	4,356,574
Total other capital assets	**5,084,513**	**155,524**	**161,155**	**55,202**	**5,345,990**
Less accumulated depreciation for:					
Infrastructure	159,404	5,388	-	-	164,792
Intangibles	9,223	1,649	-	-	10,872
Land improvements	29,529	4,300	-	-	33,829
Equipment	334,411	32,791	-	25,244	341,958
Library books	110,470	17,826	-	23,441	104,855
Buildings	1,696,982	96,187	-	2,828	1,790,341
Total accumulated depreciation, other capital assets	**2,340,019**	**158,141**	**-**	**51,513**	**2,446,647**
Capital assets, net	**$ 3,147,159**	**$ 135,258**	**$ -**	**$ 3,808**	**$ 3,278,609**

The university incurred interest costs of $42,347,000 and $46,815,000 in fiscal years ending June 30, 2019 and 2018, respectively. Of these amounts, $3,046,000 and $4,851,000 was capitalized during the construction of capital assets in fiscal years ending June 30, 2019 and 2018, respectively.

Note 6—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2019 and 2018:

(dollar amounts presented in thousands)

	June 30, 2019	*June 30, 2018*
Accrued payroll	$ 17,738	$ 17,453
Accrual for compensated absences	48,464	43,480
Interest payable	7,965	7,778
Vendor and other payables	126,477	128,407
Total accounts payable and accrued liabilities	**$ 200,644**	**$ 197,118**

Note 7—Other Liabilities

Other liability activity for the fiscal years ended June 30, 2019 and 2018, is summarized as follows:

Fiscal year ended June 30, 2019

(dollar amounts presented in thousands)

	Balance June 30, 2018	*Additions*	*Reductions*	*Balance June 30, 2019*	*Current*
Bonds, notes, and capital leases payable:					
Bonds payable	$ 812,822	$ 78,960	$ 68,693	$ 823,089	$ 66,272
Notes payable	208,420	33,800	6,802	235,418	62,277
Capital leases payable	6,193	280	2,736	3,737	1,937
Total bonds, notes, and capital leases payable	**1,027,435**	**113,040**	**78,231**	**1,062,244**	**130,486**
Other liabilities:					
Unearned revenue	147,980	-	6,364	141,616	94,460
Assets held in custody for others	75,295	-	672	74,623	738
Compensated absences	76,282	20,007	17,630	78,659	48,464
Net pension liability	92,066	-	23,490	68,576	-
Total postemployment benefits liability	268,543	27,878	41,792	254,629	-
Other	804	-	426	378	-
Total other liabilities	**$ 1,688,405**	**$ 160,925**	**$ 168,605**	**$ 1,680,725**	**$ 274,148**

Fiscal year ended June 30, 2018

(dollar amounts presented in thousands)

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Current
Bonds, notes, and capital leases payable:					
Bonds payable	$ 887,559	$ -	$ 74,737	$ 812,822	$ 68,315
Notes payable	194,617	20,400	6,597	208,420	27,202
Capital leases payable	3,503	5,014	2,324	6,193	2,468
Total bonds, notes, and capital leases payable	**1,085,679**	**25,414**	**83,658**	**1,027,435**	**97,985**
Other liabilities:					
Unearned revenue	105,776	42,204	-	147,980	110,592
Assets held in custody for others	82,689	-	7,394	75,295	1,252
Compensated absences	75,606	17,494	16,818	76,282	43,480
Net pension liability	95,689	-	3,623	92,066	-
Total postemployment benefits liability	-	268,543	-	268,543	-
Other	38,696	34	37,926	804	-
Total other liabilities	**$ 1,484,135**	**$ 353,689**	**$ 149,419**	**$ 1,688,405**	**$ 253,309**

Note 8—Bonds and Notes Payable and Other Obligations

The university is authorized by acts of the Indiana General Assembly to issue bonds, notes, and other forms of indebtedness for the purpose of financing construction of facilities that include academic and administrative facilities, research facilities on the Bloomington and Indianapolis campuses, athletic facilities, parking facilities, student housing, health service facilities, student union buildings, and energy savings projects. At June 30, 2019 and 2018, the university had serial bonds and term bonds with maturities that extend to June 1, 2044. The university has both tax-exempt and taxable bonds outstanding.

The total outstanding bonds and notes payable and other obligations at June 30, 2019 and 2018, were $1,058,507,000 and $1,021,242,000, respectively. This indebtedness included principal outstanding at June 30, 2019 and 2018, for bonds issued under Indiana Code ("IC") 21-34-6 as student fee bonds of $377,925,000 and $348,060,000, respectively and under IC 21-35-3 as consolidated revenue bonds of $369,260,000 and $389,810,000, respectively. This indebtedness also included principal outstanding at June 30, 2019 and 2018, for notes issued under IC 21-33-3-5 as lease-purchase obligations or certificates of participation of $166,025,000 and $171,825,000, respectively and under IC 21-32-2 as commercial paper of $54,200,000 and $20,400,000, respectively. The calculation of total bonds and notes payable at June 30, 2019 and 2018, includes the addition of bond premium outstanding of $91,097,000 and $91,147,000, respectively. As of June 30, 2019, and 2018, debt service payments to maturity total $1,274,341,000 and $1,275,280,000, respectively, of which $452,631,000 and $396,441,000, respectively, are from bonds eligible for fee replacement appropriations.

Fee replacement appropriations are a specific state appropriation to the university that the Indiana General Assembly authorizes on a biennial basis, for the purpose of reimbursing a portion of the debt service payments on bonds issued under IC 21-34-6 as student fee bonds for certain academic facilities, such as classrooms, libraries, laboratories, and other academic support facilities as designated by the Indiana General Assembly that are received from the state on a semi-annual basis. Fee replacement appropriations are renewed and supplemented on a biennial basis because state statutes prohibit a sitting General Assembly from binding subsequent General Assemblies with respect to future appropriation of funds. In over 45 years of making fee replacement appropriations, the State has never failed to fully fund or otherwise provide for a fee replacement obligation established by a prior General Assembly. The outstanding principal balances which are eligible for fee replacement appropriations as of June 30, 2019 and 2018, are $343,280,000 and $310,500,000, respectively.

Consolidated revenue bonds are unsecured obligations of the university that carry a promise of repayment that will come first from net income generated from housing facilities, parking facilities, and other auxiliary facilities along with certain research, health service facilities, and athletic revenues; and secondly, from other legally available funds of the university. The debt service payments for consolidated revenue bonds and commercial paper and the lease payments for lease-purchase obligations or certificates of participation are payable solely from legally available funds of the university.

Indiana University Building Corporation ("IUBC") is an affiliated single-purpose Indiana not-for-profit entity that was formed by the Trustees of Indiana University in 2008 with the sole purpose of assisting the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease-purchase basis. The leases are not subject to abatement or reduction. The leases are subject to early termination under certain circumstances, including the exercise of an option by the university to purchase the leased property or the condemnation of the leased property. When the debt obligations are fully repaid, all the leases are terminated and the real estate, facilities, and all subsequent improvements revert to the ownership of the university.

IC 21-32-2 permits the use of debt in the form of temporary borrowing in anticipation of future long-term borrowing for capital projects, when such long-term borrowing is authorized under other sections of the IC. The university has a commercial paper program to provide interim financing for certain capital projects and may continue to do so in the future. The university may issue tax-exempt and/or taxable commercial paper. As of June 30, 2019 and 2018, the university has commercial paper outstanding, which is considered notes for reporting purposes. The university has no credit facilities and no lines or letters of credit. The university has a self-liquidity backed commercial paper program that guarantees the payment of the maturity amount of any commercial paper notes that are not placed to investors. The university will not cause commercial paper maturities in an aggregate principal amount exceeding $25,000,000 to mature in any five business day period. The commercial paper notes are not subject to redemption prior to their respective maturities or to acceleration of maturities. As of June 30, 2019, the university has no variable rate bonds outstanding.

The types of debt described above have the following associated pledges:

Type of Debt	*Pledge*	*Terminology in Bond Documents*
Student Fee Bonds	(Irrevocable) Student fees for principal, premium (if any), and interest	The pledge of student fees for the Student Fee Bonds will constitute a lien on, and security interest in, student fees.
Consolidated Revenue Bonds	No pledge	Not applicable
Lease-Purchase Obligations and Certificates of Participation	Certain financed property	Any real or personal property pledged, mortgaged, or assigned by IUBC to the Trustee, or in which IUBC grants to the Trustee a security interest, under any indenture
Commercial Paper	No pledge	Not applicable

The university is not party to any swap agreements.

Terms specified in debt agreements related to significant events of default with finance-related consequences and subjective acceleration clauses are as follows under lease-purchase obligations and certificates of participation ("Obligations"):

Upon the happening and continuance of any event of default, the Trustee may, in its discretion, declare the principal of and interest accrued on all outstanding Obligations immediately due and payable, and, upon such declaration, such principal and interest shall thereupon become and be immediately due and payable; subject, however, to the rights of the holders of 51% in principal amount of all the outstanding Obligations, by written notice to IUBC and the Trustee, to annul such declaration if all agreements with respect to which default shall have been made shall be fully performed and all such defaults have been cured, and all arrears of interest on all outstanding Obligations and the reasonable expenses and charges of the Trustee and all other indebtedness secured by the Indenture (except the principal of and interest on any Obligations not then due by their terms) have been paid or the amount thereof has been paid to the Trustee for the benefit of those entitled thereto.

Events of Default under Obligations are as follows:

(a) the university's failure to perform or observe any of its obligations under a lease or the university's continuing breach of any representation or warranty after 30 days written notice;

(b) the making by the university of an assignment for the benefit of its creditors;

(c) an injunction on or against the leased property not released or discharged within 90 days;

(d) proceedings in a court of competent jurisdiction for the reorganization, liquidation or dissolution of the university, bankruptcy or insolvency, or appointment of a receiver of the property, and under involuntary proceedings, no dismissal and no discharge, within 90 days of any receiver, trustee or liquidator appointed;

(e) the failure of the university to pay an installment of rent within ten days after written notice.

Upon occurrence of an Event of Default under any of the leases, IUBC, at the option of IUBC, has certain rights and remedies, one of which is that IUBC may terminate such lease upon notice to the university.

Bryan Hall
Old Crescent, Bloomington

As of June 30, 2019, and 2018, outstanding ("O/S") indebtedness from bonds, notes, and other obligations follow:
(dollar amounts presented in thousands)

Series	*New Money Projects (acquire, construct, renovate or equip)*	*Issue Date*	*Original Issuance*	*Interest Rate %*	*Final Maturity Date*	*Principal O/S June 30, 2018*	*Principal O/S June 30, 2019*	*Current Principal O/S June 30, 2019*
IC 21-34-6 (Bonds: Student Fee Bonds):								
S	Central Heating Plant, Data Center, Multidisciplinary Science Building II, Medical Education FW and refunding of tax-exempt Commercial Paper Series 2005A and 2007A	2/21/08	$ 88,345		8/1/18	$ 4,205	$ -	$ -
T-2	Cyberinfrastructure Building, Jordan Hall lab renovation, VanNuys Medical Science Building lab renovations, Education & Arts	4/20/10	51,390	4.68-6.14	8/1/29	45,405	42,280	3,215
U	Neuroscience Research Building, South Bend land acquisition and refunding of Student Fee Bonds, Series N, Series O and P	7/26/11	94,460	3.20-5.00	8/1/22	45,380	35,635	10,245
V-1	IUPUI and IUSB Energy Savings Projects and refunding of Student Fee Bonds Series P, Q & R and Qualified Energy Savings Notes 2005, 2007 and 2008	10/26/12	60,265	5.00	8/1/26	47,370	42,270	5,365
V-2	Refunding of Student Fee Bonds Series P	10/26/12	47,485	1.96-2.23	8/1/20	27,210	16,250	8,045
W-1	Franklin Hall, Arts & Sciences	1/14/15	58,960	2.00-5.00	8/1/34	53,110	50,945	2,265
W-2	Refunding of Student Fee Bonds Series R and S	1/14/15	62,765	4.00-5.00	8/1/32	62,765	62,765	4,130
X	Crescent II (Kirkwood, Maxwell, Owen) and refunding of Student Fee Bonds Series R and U	8/4/16	71,710	1.25-5.00	8/1/35	62,615	58,310	1,660
Y	Old Crescent III (Ballantine) / Geological Science-Survey renovations	10/3/18	69,470	4.00-5.00	8/1/37	-	69,470	1,910
	Subtotal Student Fee Bonds					**348,060**	**377,925**	**36,835**
	Add unamortized bond premium					35,570	40,368	5,210
	Total Student Fee Bonds					**383,630**	**418,293**	**42,045**

(dollar amounts presented in thousands)

Series	New Money Projects (acquire, construct, renovate or equip)	Issue Date	Original Issuance	Interest Rate %	Final Maturity Date	Principal O/S June 30, 2018	Principal O/S June 30, 2019	Current Principal O/S June 30, 2019
IC 21-35-3 (Bonds: Consolidated Revenue Bonds):								
2009A	Ashton Housing, University Tower food court, parking lot	4/2/09	$ 69,090		6/1/19	$ 3,525	$ -	$ -
2010B	Briscoe Quad, Tulip Tree Apartments, Gateway Garage	5/27/10	92,080	4.36-5.64	6/1/35	66,095	62,880	3,305
2011A	Riverwalk Garage	3/10/11	16,040	3.00-5.00	6/1/30	6,065	5,315	770
2012A	Eigenmann, Forest Dining Hall, Read Dining, Spruce Hall, Teter, Wright Place, Science & Engineering Lab Building, Housing infrastructure and refunding of Facility Revenue Bonds Series 2004A and Student Residence System Bonds Series 2004B	1/25/12	94,490	5.00	6/1/37	77,765	73,820	4,045
2015A	Read Hall Renovation Ph. II, North Hall, and refunding of Facility Revenue Bonds Series 2000 and Consolidated Revenue Bonds (CRB) Series 2008A and 2009A	4/1/15	146,960	3.00-5.00	6/1/42	144,620	136,195	12,040
2016A	Wells Quad renovation and refunding of CRB 2008A, 2009A, and 2011A	4/5/16	93,070	2.75-5.00	6/1/41	91,740	91,050	710
	Subtotal Consolidated Revenue Bonds					**389,810**	**369,260**	**20,870**
	Add unamortized bond premium					39,382	35,536	3,357
	Total Consolidated Revenue Bonds					**429,192**	**404,796**	**24,227**
	Subtotal bonds					**737,870**	**747,185**	**57,705**
	Add unamortized bond premium					74,952	75,904	8,567
	Total bonds					**812,822**	**823,089**	**66,272**

(dollar amounts presented in thousands)

Series	*New Money Projects (acquire, construct, renovate or equip)*	*Issue Date*	*Original Issuance*	*Interest Rate %*	*Final Maturity Date*	*Principal O/S June 30, 2018*	*Principal O/S June 30, 2019*	*Current Principal O/S June 30, 2019*
IC 21-33-3-5 (Notes: Certificates of Participation):								
2009B	Auxiliary Library Facility II and HPER courtyard, Cinema/Theatre	12/17/09	$ 18,420	4.60-5.95	12/1/29	$ 14,035	$ 12,990	$ 1,080
2012A	Andy Mohr Field (Softball)/ Bart Kaufman Field (Baseball) and refunding of Certificates of Participation Series 2003A	2/9/12	23,750	2.50-4.13	12/1/36	16,950	15,750	1,230
2013A	Global & International Studies Building	3/8/13	22,515	3.00-5.00	6/1/33	18,710	17,815	930

(dollar amounts presented in thousands)

Series	New Money Projects (acquire, construct, renovate or equip)	Issue Date	Original Issuance	Interest Rate %	Final Maturity Date	Principal O/S June 30, 2018	Principal O/S June 30, 2019	Current Principal O/S June 30, 2019
IC 21-33-3-5 (Notes: Lease Purchase Obligations):								
2014A	University Hall	2/13/14	$ 21,045	4.00-5.00	6/1/35	$ 18,945	$ 18,200	$ 775
2015A	Assembly Hall renovation	5/13/15	31,025	3.13-5.00	6/1/34	29,240	27,975	1,315
2017A	Eskenazi Museum of Art, Memorial Stadium Excellence Academy/ Stadium renovation	3/8/17	74,575	2.00-5.00	6/1/44	73,945	73,295	1,745
	Subtotal Obligations					**171,825**	**166,025**	**7,075**
	Add unamortized bond premium					16,195	15,193	1,002
	Total Obligations					**188,020**	**181,218**	**8,077**
IC 21-32-2	(Notes: Interim Financing: Commercial Paper)							
2018A	Parking/Office Building including Fine Arts Annex, Wilkinson Hall	5/22/18	20,400	1.48	8/20/18	20,400	-	-
2018A	Parking/Office Building including Fine Arts Annex, Wilkinson Hall, Golf Course renovation; Foster Quad renovation	Various	34,200	1.43-1.55	9/4/19; 9/12/19	-	34,200	34,200
2019A	Academic Health Sciences Building	6/12/19	20,000	2.38	11/26/19	-	20,000	20,000
	Subtotal Commercial Paper					**20,400**	**54,200**	**54,200**
	Add unamortized bond premium					-	-	-
	Total Commercial Paper					**20,400**	**54,200**	**54,200**
	Subtotal notes					**192,225**	**220,225**	**61,275**
	Add unamortized bond premium					16,195	15,193	1,002
	Total notes					**208,420**	**235,418**	**62,277**
	Subtotal bonds and notes payable and other obligations					**930,095**	**967,410**	**118,980**
	Add unamortized bond premium					91,147	91,097	9,569
	Total bonds and notes payable and other obligations					**$ 1,021,242**	**$ 1,058,507**	**$ 128,549**

The principal and interest requirements to maturity for fixed rate bonds and notes payable follow:

(dollar amounts presented in thousands)

Fiscal Year Ending June 30	*Bond Principal*	*Note Principal*	*Total Principal*	*Bond Interest*	*Note Interest*	*Total Interest*	*Total Debt Service Payments*
2020	$ 57,705	$ 7,075	$ 64,780	$ 34,120	$ 7,515	$ 41,635	$ 106,415
2021	59,610	7,365	66,975	31,562	7,209	38,771	105,746
2022	51,665	7,670	59,335	29,052	6,883	35,935	95,270
2023	53,920	7,535	61,455	26,546	6,575	33,121	94,576
2024	49,040	7,550	56,590	24,084	6,213	30,297	86,887
2025–2029	239,930	43,355	283,285	83,164	25,071	108,235	391,520
2030–2034	146,785	43,970	190,755	36,877	15,120	51,997	242,752
2035–2039	76,610	22,335	98,945	10,028	7,509	17,537	116,482
2040–2044	11,920	19,170	31,090	901	2,702	3,603	34,693
Total	**$ 747,185**	**$ 166,025**	**$ 913,210**	**$ 276,334**	**$ 84,797**	**$ 361,131**	**$ 1,274,341**

Bond and note interest shown above are reported gross of (before) any federal interest subsidy as scheduled at issuance to be received on taxable Build America Bonds.

COMMERCIAL PAPER: The University has available a $100 million commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects. The university typically expects that capital projects temporarily financed with commercial paper would be long-term financed through the issuance of consolidated revenue bonds, Obligations, or certain student fee bonds that are not eligible for fee replacement.

(dollar amounts presented in thousands)

	June 30, 2019		*June 30, 2018*	
	Interest Rate %	*Principal Outstanding*	*Interest Rate %*	*Principal Outstanding*
Tax-exempt	1.43-1.55	$ 34,200	1.48	$ 20,400
Taxable	2.38	20,000	-	-

In prior years, the university has defeased several bond issues by issuing new debt. United States Treasury obligations or federal agency securities have been purchased in amounts sufficient to pay principal and interest payments when due, through the maturity or call dates of the defeased bonds. These securities or cash have been deposited in irrevocable trusts as required to defease the bonds. The defeased bonds and the related trusts balances are not reflected within principal outstanding, total debt service, or the university's liabilities.

As of June 30, 2019, the previously defeased bonds held in escrow have the following amounts of principal redeemed:

(dollar amounts presented in thousands)

Defeased Bonds (Refunded)		*Principal Redeemed*	*Call Date*
Student Fee Bonds, Series U	$	19,705	8/1/2021
Consolidated Revenue Bonds, Series 2011A		5,375	6/1/2020
Total defeased bonds	**$**	**25,080**	

In February 2009, the United States Congress enacted the *American Recovery and Reinvestment Act of 2009* (ARRA). ARRA allowed certain tax advantages to state and local governmental entities when such entities issued qualifying taxable obligations, referred to as Build America Bonds ("BABs"). While the BAB provisions in ARRA expired as of January 1, 2011, the obligation of the U.S. Treasury to make subsidy payments on BABs will remain in effect through the final maturity date of BABs. Although issuers of BABs were eligible to receive subsidy payments from the U.S. Treasury equal to 35% of the corresponding interest payable on the related BABs, subsidies paid after February 28, 2013, were cut due to the federal sequestration. Through June 30, 2019, BABs subsidies for Student Fee Bonds, Series T-2; Consolidated Revenue Bonds, Series 2010B; and Certificates of Participation, Series 2009B combined were reduced by $1,121,000, which per fiscal year effected was less than $200,000. Total federal interest subsidies as scheduled at issuance to be received over the remaining life of the BABs debt outstanding as of June 30, 2019, are $17,220,000. BABs subsidies paid between October 1, 2019, and September 30, 2020, are scheduled to be reduced by 5.90% due to the federal sequestration, as compared to 6.20% in the prior year. For fiscal year ending June 30, 2020, the total expected subsidy reductions due to the sequestration is $131,000, which is subject to changes enacted by Congress at subsequent dates.

On February 13, 2019 and June 4, 2019, the university issued tax exempt Indiana University Commercial Paper Notes in the amount of $4,600,000 and $9,200,000, respectively. On June 12, 2019, the university issued taxable Indiana University Commercial Paper Notes in the amount of $20,000,000. The total outstanding commercial paper notes at June 30, 2019 and 2018, were $54,200,000 and $20,400,000, respectively. Commercial paper notes are issued by the university from time to time to provide for the temporary financing or refinancing of costs related to certain facilities on all the university campuses, including costs of issuance of the notes. The interest rate and term of the notes are subject to market conditions on the maturity date of the notes. The number of days to maturity may not exceed 270 days, with the final maturity of the notes being May 1, 2033.

On October 3, 2018, the university issued fixed rate new money Student Fee Bonds Series Y with a par amount of $69,470,000. The purpose of the issue was to provide financing for the Old Crescent Renovation Phase III project, which includes the renovation of Ballantine Hall and the Geological Sciences/Geological Survey building, both of which are on the Bloomington Campus. The proceeds were also used to pay costs to issue the bonds, including underwriters' discount. The all-in true interest cost for the bonds was 3.35%.

Note 9—Lease Obligations

The university has acquired equipment under various lease-purchase contracts and other capital lease agreements. The cost of equipment held under capital leases totaled $9,125,000 and $10,596,000 as of June 30, 2019 and 2018, respectively. Accumulated amortization of leased equipment totaled $5,422,000 and $4,537,000 at June 30, 2019 and 2018, respectively.

The university entered into agreements for the right to use certain infrastructure assets for a given period of time. The cost of the leased infrastructure assets totaled $8,861,000 and $8,640,000 with accumulated depreciation of $1,200,000 and $1,195,000 as of June 30, 2019 and 2018, respectively.

The university leases certain facilities. The majority of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs. Operating lease expenditures, which also represent the minimum rental payments, amounted to $14,942,000 for the fiscal year ended June 30, 2019.

Scheduled lease payments for the years ending June 30 are as follows:

(dollar amounts presented in thousands)

	Capital	*Operating*
2020	$ 2,000	$ 25,877
2021	1,481	8,460
2022	337	6,103
2023	10	3,752
2024	-	3,098
2025–2029	-	1,377
Total future minimum payments	3,828	$ 48,667
Less: interest	(91)	
Total principal payments outstanding	**$ 3,737**	

Note 10—Federal Obligations under Student Loan Programs

Campus based student loans are funded by new allocations received from the federal government, as well as principal and interest collected from previous student loan recipients. The federal government advanced $797,000 and $342,000 for health professions and nursing loan programs for fiscal years ended June 30, 2019 and 2018, respectively.

Liabilities at June 30, 2019 and 2018, for loan programs were as follows:

(dollar amounts presented in thousands)

	June 30, 2019	*June 30, 2018*
Current portion of assets held in custody for others	$ 738	$ 1,252
Noncurrent liabilities:		
Federal share of interest	50,205	48,922
Perkins loans	7,920	8,490
Health professions loans	12,050	13,734
Nursing loans	3,710	2,897
Total noncurrent portion of assets held in custody for others	73,885	74,043
Total assets held in custody for others	**$ 74,623**	**$ 75,295**

Federal Perkins Loan program expired on September 30, 2017. Barring any subsequent renewal of the program, Perkins federal funds will be required to be repaid over successive future periods.

Note 11—Risk Management

The university is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of students, employees, and their dependents. The university manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds, as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The university is self-funded for damage to buildings and building contents for the first $100,000 per occurrence with an additional $400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The university is self-funded for comprehensive general liability and automobile liability for the first $100,000 per occurrence with an additional $900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The university has a malpractice and professional liability policy in the amount of $400,000 for each claim and $1,200,000 annually in aggregate provided by OCIC. The university is self-funded for the first $850,000 for each Workers' Compensation claim and $125,000 in the aggregate for all claims in excess of $850,000 for each claim. Workers' Compensation claims above these amounts are covered by commercial insurance and are subject to statutory limits. The university is self-funded for the first $850,000 for employer liability claims with an additional $1,000,000 in coverage through commercial insurances. The amount of settlements has not exceeded insurance coverage in any of the past three fiscal years.

The university has three health care plans for full-time appointed active employees and one plan for under-65 retirees not yet eligible for Medicare. All of the employee plans are self-funded. The university records a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans. This liability is estimated to be no more than 12.5% of the paid self-funded claims during the fiscal year and totals $27,665,000 and $27,344,000 at June 30, 2019 and 2018, respectively. In addition, a potential claims fluctuation liability of $9,876,000 has been recorded at June 30, 2019 and 2018.

Changes in the balances of accrued insurance liabilities were as follows:

(dollar amounts presented in thousands)

Fiscal Year	*Beginning Balance*	*Claims Incurred and Changes in Estimates*	*Claims Paid*	*Ending Balance*
2019	$27,344	$234,680	$(234,359)	$27,665
2018	25,150	235,388	(233,194)	27,344

Separate funds have been established to account for the liability of incurred but unpaid health care claims, as well as any unusual catastrophic claims fluctuation experience. All organizational units of the university are charged fees based on estimates of the amounts necessary to pay health care coverage costs, including premiums and claims.

The university also provides health care plans for graduate assistants, fellowship recipients, and medical residents. These plans are either fully insured or self-funded with a stop/loss provision. The university has recorded a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans in the amount of $1,536,000 and $1,652,000 at June 30, 2019 and 2018, respectively. These plans are funded by direct charges to the associated schools and/or departments.

Note 12—Retirement Plans

The university provided retirement plan coverage to 19,809 and 19,517 active employees as of June 30, 2019 and 2018, respectively, in addition to contributing to the Federal Insurance Contributions Act (FICA) as required by law.

RETIREMENT AND SAVINGS PLAN: All support and service employees with at least a 50% full-time equivalent (FTE) appointment and temporary with retirement employees scheduled to work at least 900 hours or more in a calendar year hired on or after July 1, 2013, participate in the Retirement and Savings Plan. This is a defined contribution plan under IRC 401(a). The university contributed $4,928,000 during fiscal year ended June 30, 2019, and $4,271,000 during fiscal year ended June 30, 2018, to TIAA-CREF for the plan. The university contributed $1,212,000 during fiscal year ended June 30, 2019, and $965,000 during fiscal year ended June 30, 2018, to Fidelity Investments for the plan. Under this plan, 2,363 and 2,212 employees directed university contributions to TIAA-CREF as of June 30, 2019 and 2018, respectively. In addition, 592 and 506 directed university contributions to Fidelity Investments as of June 30, 2019 and 2018, respectively.

ACADEMIC AND PROFESSIONAL STAFF EMPLOYEES: Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b). The university contributed $58,263,000 during fiscal year ended June 30, 2019, and $59,328,000 during fiscal year ended June 30, 2018, to TIAA-CREF for the IU Retirement Plan. The university contributed $54,321,000 during fiscal year ended June 30, 2019, and $48,693,000 during fiscal year ended June 30, 2018, to Fidelity Investments for the IU Retirement Plan. Under this plan, 6,793 and 7,026 employees directed university contributions to TIAA-CREF as of June 30, 2019 and 2018, respectively. In addition, 8,503 and 7,799 employees directed university contributions to Fidelity Investments as of June 30, 2019 and 2018, respectively.

In addition to the above, the university provides early retirement benefits to full-time appointed academic and professional staff employees who were in positions Grade 16 and above on or before June 30, 1999. There were 740 and 796 active employees on June 30, 2019 and 2018, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP), a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The university contributed $2,089,000 and $2,164,000 to IUSERP during fiscal years ended June 30, 2019 and 2018, respectively. The same class of employees covered by the IU Retirement Plan 15% Level of Contributions on or before July 14, 1988, is covered by the IU 18/20 Retirement Plan. This plan is a combination of IRC Section 403(b) and Section 457(f) and can be found in Note 13, Postemployment Benefits. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous university service.

IU REPLACEMENT RETIREMENT PLAN FUNDING POLICY AND ANNUAL PENSION COST: The university has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the trustees. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participants' lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. There were 65 and 76 employees eligible to participate as of June 30, 2019 and 2018, respectively. University contributions related to this plan totaled $891,000 and $1,004,000 for fiscal years ended June 30, 2019 and 2018, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution. As of June 30, 2019 and 2018, the net pension liability was $4,787,000 and $4,879,000, respectively.

INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND: The university contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System (INPRS) administers the cost-sharing, multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. Support staff and temporary employees who normally work at least 50% FTE appointment hired prior to July 1, 2013, participate in the PERF plan. There were 2,493 and 2,885 active university employees covered by this retirement plan as of June 30, 2019 and 2018, respectively. State statutes authorize the university to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11 and are based on actuarial investigation and valuation. Per IC 5-10.2-4-4, key elements of the pension formula include years of PERF creditable service multiplied by average annual compensation multiplied by 1.1%, resulting in an annual lifetime benefit. Cost of living adjustments for members in pay status are not guaranteed by statute, but may be granted by the Indiana General Assembly on an ad hoc basis. Refunds of employee contributions are included in total benefit payments. Participants must have at least ten years of PERF creditable service to have a vested right to the pension benefit. The annuity savings account consists of contributions set by state statute at 3.0% of compensation plus the earnings credited to members' accounts. Participants are 100% vested from inception in the annuity savings account. The university has elected to make the contributions to annuity savings account on behalf of the members. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The financial report and corresponding fiduciary net position is prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments of the pension plan are valued as follows: Investments are reported at fair value. Short-term investments are reported at cost. Fixed income and equity securities are valued based on published market prices, quotations from national security exchanges, or using modeling techniques that approximate a fair value for securities that are not traded on a national exchange. Alternative investments are valued based on quoted market prices or using estimates of fair value in the absence of readily determinable public market values. Derivative instruments are marked to market daily. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-844-464-6777, or by reviewing the Annual Report online at www.in.gov/inprs/annualreports.htm.

Required and actual contributions made by the university totaled $14,795,000 and $16,403,000 for fiscal years ended June 30, 2019 and 2018, respectively. This represented an 11.2% university pension benefit contribution for fiscal years ended June 30, 2019 and 2018, and a 3.0% university contribution for the annuity savings account provisions each year.

Dunn's Woods
Old Crescent, Bloomington

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS: Indiana Public Employees' Retirement Fund. At June 30, 2019, the University reported a liability of $68,576,000 for its proportionate share of the net pension liability, as compared to $92,066,000 for the year ended June 30, 2018. The June 30, 2019, net pension liability of $68,576,000 at the measurement date was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, which used update procedures to roll forward the estimated liability to June 30, 2018. The university's proportion of the net pension liability was based on wages reported by the university relative to the collective wages of the plan. This basis measures the proportionate relationship of an employer to all employers and is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2018, the university's proportion was 2.02%, a decrease of .04 percentage points from its proportion measured as of June 30, 2017, which was 2.06%. The university's June 30, 2017 proportion decreased .05 percentage points from its proportion measured as of June 30, 2016, which was 2.11%. Pension expense of the university as of June 30, 2019 and 2018, was $12,172,000 and $14,285,000, respectively.

At June 30, 2019, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollar amounts presented in thousands)

PERF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 897	$ 5
Changes of assumptions	163	11,011
Net difference between projected and actual earnings on pension plan investments	2,031	-
Changes in proportion and differences between university contributions and proportionate share of contributions	4,100	3,692
University contributions subsequent to the measurement date	11,220	-
Total	**$ 18,411**	**$ 14,708**

Deferred outflows of resources in the amount of $11,220,000 related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

At June 30, 2018, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollar amounts presented in thousands)

PERF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,748	$ 71
Changes of assumptions	1,478	-
Net difference between projected and actual earnings on pension plan investments	9,947	-
Changes in proportion and differences between university contributions and proportionate share of contributions	16,867	18,730
University contributions subsequent to the measurement date	13,331	-
Total	**$ 43,371**	**$ 18,801**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(dollar amounts presented in thousands)

Fiscal Year Ending June 30	*PERF*
2019	$ 1,738
2020	(2,870)
2021	(5,170)
2022	(1,215)
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability as of June 30, 2018, and June 30, 2017, based on the results of actuarial valuation dates of June 30, 2017, and June 30, 2016, and rolled forward, respectively, were determined using the following actuarial assumptions, which were applied to all periods included in the measurement:

	PERF	
	Measurement Date as of June 30, 2018	*Measurement Date as of June 30, 2017*
Cost of living	FY 2020-2021 – 13th check FY 2022-2033 – 0.4% FY 2034-2038 – 0.5% FY 2039 and on – 0.6%	1.0%
Inflation	2.25%, average	2.25%, average
Future salary increases	2.50% to 4.25%	2.50% to 4.25%
Investment rate of return	6.75%, net of pension plan investment expense	6.75%, net of pension plan investment expense
Mortality rates	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables and Disability Mortality Tables for disabled members	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables and Disability Mortality Tables for disabled members

The actuarial assumptions used in the valuations of June 30, 2018, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies which reflected the period from July 1, 2010 through June 30, 2014. Member census data as of June 30, 2017, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	PERF			
	Measurement Date as of June 30, 2018		*Measurement Date as of June 30, 2017*	
	Target Allocation	*Long-Term Expected Real Rate of Return*	*Target Allocation*	*Long-Term Expected Real Rate of Return*
Public equity	22.0%	4.4%	22.0%	4.9%
Private equity	14.0%	5.4%	14.0%	5.7%
Fixed income – ex inflation-linked[1]	20.0%	2.2%	20.0%	2.3%
Fixed income – inflation-linked	7.0%	0.8%	7.0%	0.6%
Commodities	8.0%	2.3%	8.0%	2.2%
Real estate	7.0%	6.5%	7.0%	3.7%
Absolute return	10.0%	2.7%	10.0%	3.9%
Risk parity	12.0%	5.2%	12.0%	5.1%
Total	**100.0%**		**100.0%**	

[1] Includes cash & cash equivalents

Discount rate. The discount rate used to measure the total pension liability was 6.75% for PERF at June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the university's proportionate share of the PERF net pension liability. The following table presents the university's proportionate share of the PERF net pension liability using the discount rate of 6.75% for both years, as well as what the university's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

(dollar amounts presented in thousands)

PERF			
Sensitivity of Net Pension Liability	*1% Decrease (5.75%)*	*Current Discount Rate (6.75%)*	*1% Increase (7.75%)*
June 30, 2019	$ 107,949	$ 68,576	$ 35,743
June 30, 2018	134,275	92,066	56,979

Pension Plan Fiduciary Net Position. Detailed information about the pension plans' fiduciary net position is available in the separately issued INPRS financial report.

PAYABLE TO THE PENSION PLAN: The university reported a payable of $1,115,000 at June 30, 2019, and $1,192,000 at June 30, 2018, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2019 and 2018, respectively.

Note 13—Postemployment Benefits

PLAN DESCRIPTION: The university provides postemployment benefits for certain retired employees. The IU 18/20 Plan, medical, and life insurance benefits are presented for financial statement purposes as a consolidated plan (the "Plan") under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

The Plan is a single-employer defined benefit plan administered by the university. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: covered by the IU Retirement Plan 15% level on or before July 14, 1988, and has 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time university service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement. The 18/20 Plan was adopted by the trustees and is closed to new entrants.

The university provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The university provides retiree life insurance benefits in the amount of $6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to an early retirement incentive plan, approved by executive management in fiscal year 2014, which includes five years of annual contributions to a health reimbursement account.

FUNDING POLICY: The contribution requirements of plan members and the university are established and may be amended by the trustees. The university contribution to the 18/20 Plan and retiree life insurance is based on pay-as-you-go financing requirements. Plan members do not make contributions. The medical plans are self-funded and each plan's premiums are updated annually based on actual claims. Retirees receiving medical benefits paid $814,000 and $826,000 in premiums in the fiscal years ended June 30, 2019 and June 30, 2018, respectively. The university contributed $32,264,000 and $37,188,000 to the consolidated OPEB Plan in fiscal year ended June 30, 2019 and June 30, 2018, respectively. The university does not maintain a separate legal trust to house assets used to fund postemployment benefits.

As of the June 30, 2018 actuarial valuation date, the number of plan participants consisted of the following:

	18/20 Plan	*Retiree Health Insurance*	*Retiree Life Insurance*
Active employees	166	17,437	18,754
Inactive employees receiving benefits	233	487	5,734
Total	**399**	**17,924**	**24,488**

OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES: At June 30, 2019 and 2018, the university reported $254,629,000 and $268,543,000 for its total OPEB liability, respectively. At June 30, 2019 and 2018, the university reported $27,717,000 and $21,931,000 for its total OPEB expense, respectively. The total OPEB liability was measured as of June 30, 2019, and was determined with results from July 1, 2018, actuarially projected on a "no gain / no loss" basis to get to the June 30, 2019 measurement date. Liabilities as of July 1, 2018, are based on an actuarial valuation date of July 1, 2018, with no adjustments.

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2019, are summarized as follows:

(dollar amounts presented in thousands)

	18/20 Plan	*Retiree Health Insurance*	*Retiree Life Insurance*	*Total*
Total OPEB liability, beginning of year	$ 128,913	$ 103,463	$ 36,167	$ 268,543
Service cost	2,209	8,427	974	11,610
Interest	4,571	4,243	1,410	10,224
Changes in assumptions	653	3,257	2,134	6,044
Differences between expected and actual experience	(3,203)	(6,325)	-	(9,528)
Benefit payments	(26,277)	(4,552)	(1,435)	(32,264)
Total OPEB liability, end of year	**$ 106,866**	**$ 108,513**	**$ 39,250**	**$ 254,629**
OPEB expense	**$ 5,970**	**$ 19,189**	**$ 2,558**	**$ 27,717**

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2019, are summarized as follows:

(dollar amounts presented in thousands)

	18/20 Plan	*Retiree Health Insurance*	*Retiree Life Insurance*	*Total*
Total OPEB liability, beginning of year	$ 156,905	$ 40,456	$ 35,897	$ 233,258
Service cost	3,442	3,111	1,095	7,648
Interest	5,169	1,494	1,301	7,964
Changes in assumptions	(790)	3,498	(909)	1,799
Differences between expected and actual experience	(3,625)	58,618	69	55,062
Benefit payments	(32,188)	(3,714)	(1,286)	(37,188)
Total OPEB liability, end of year	**$ 128,913**	**$ 103,463**	**$ 36,167**	**$ 268,543**
OPEB expense	**$ 8,121**	**$ 11,507**	**$ 2,303**	**$ 21,931**

The discount rate changed from 3.87% as of July 1, 2018, to 3.51% as of June 30, 2019. The health care trend rates have been reset to an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 5.0%. The university has not had a recent experience study. The actuarial assumptions for non-18/20 Plans have not been updated since the 2006 valuation.

At June 30, 2019, the university reported deferred outflows and inflows of resources related to OPEB from the following sources:

(dollar amounts presented in thousands)

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Changes in Assumptions:		
18/20 Plan	$ 572	$ 615
Retiree health insurance	5,570	-
Retiree life insurance	1,867	707
Differences between expected and actual experience:		
18/20 Plan	-	5,622
Retiree health insurance	45,592	5,534
Retiree life insurance	54	-
Total	**$ 53,655**	**$ 12,478**

At June 30, 2018, the university reported deferred outflows and inflows of resources related to OPEB from the following sources:

(dollar amounts presented in thousands)

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Changes in Assumptions:		
18/20 Plan	$ -	$ 703
Retiree health insurance	3,109	-
Retiree life insurance	-	808
Differences between expected and actual experience:		
18/20 Plan	-	3,222
Retiree health insurance	52,105	-
Retiree life insurance	61	-
Total	**$ 55,275**	**$ 4,733**

These amounts will be recognized in OPEB expense as follows:

(dollar amounts presented in thousands)

	18/20 Plan	*Retiree Health Insurance*	*Retiree Life Insurance*	*Total*
2020	$ (809)	$ 6,518	$ 173	$ 5,882
2021	(809)	6,518	173	5,882
2022	(809)	6,518	173	5,882
2023	(809)	6,518	173	5,882
2024	(809)	6,518	173	5,882
Thereafter	(1,619)	13,037	347	11,765

Actuarial Assumptions. Significant actuarial methods and assumptions used to calculate the university's total OPEB liability were:

	Measurement Date as of June 30, 2019	*Measurement Date as of June 30, 2018*
Payroll growth (medical/life plan)	3.0%	3.0%
Payroll growth (18/20 plan)	2.5%	2.5%
Inflation	3.0%	3.0%
Health care cost trend rates	8.5% for fiscal year 2020 to 5.0% for fiscal year 2027 and later years	9.0% for fiscal year 2019 to 5.0% for fiscal year 2027 and later years
Mortality rates	Based on RPH-2017 Total Data Set Mortality Table fully generational using Scale MP-2017	Based on RPH-2017 Total Data Set Mortality Table fully generational using Scale MP-2017
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary

Discount rate. The discount rate used in valuing OPEB liabilities as of June 30, 2019, was 3.51% and 3.87% as of July 1, 2018. The discount rate must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer Go 20 index was used for the current discount rate.

Sensitivity of total OPEB liability to the discount rate. The following table presents the June 30, 2019, total OPEB liability using the discount rate of 3.51%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

(dollar amounts presented in thousands)

Sensitivity of Total OPEB Liability	*1% Decrease (2.51%)*	*Current Discount Rate (3.51%)*	*1% Increase (4.51%)*
18/20 plan	$ 108,660	$ 106,866	$ 105,043
Retiree health insurance	118,105	108,513	99,718
Retiree life insurance	46,253	39,250	33,740
Total	**$ 273,018**	**$ 254,629**	**$ 238,501**

Sensitivity of total OPEB liability to the discount rate. The following table presents the June 30, 2018, total OPEB liability using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

(dollar amounts presented in thousands)

Sensitivity of Total OPEB Liability	*1% Decrease (2.87%)*	*Current Discount Rate (3.87%)*	*1% Increase (4.87%)*
18/20 plan	$ 131,328	$ 128,913	$ 126,456
Retiree health insurance	112,520	103,463	95,165
Retiree life insurance	42,410	36,167	31,232
Total	**$ 286,258**	**$ 268,543**	**$ 252,853**

Sensitivity of total OPEB liability to the health care trend rate. The following table presents the university's retiree health insurance OPEB liability for both years as well as what the retiree health insurance OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

(dollar amounts presented in thousands)

*Sensitivity of Retiree Health Insurance OPEB Liability**	*1% Decrease*	*Current Trend*	*1% Increase*
June 30, 2019 (current 8.5% decreasing to 5%)	$ 95,372	$ 108,513	$ 124,188
June 30, 2018 (current 9% decreasing to 5%)	92,104	103,463	116,891

**The 18/20 and retiree life insurance plans are not included above as they do not have a health care component*

Note 14—Related Organization

The university is a major beneficiary of the Riley Children's Endowment of which a majority of the board of directors is appointed by, or serve by virtue of position with, Indiana University. Riley Children's Endowment's net assets were $369,647,000 and $375,433,000 at June 30, 2019 and 2018, respectively, and are not included in the financial statements of the university.

Note 15—Functional Expense

The university's operating expenses by functional classification were as follows:

Fiscal year ended June 30, 2019

(dollar amounts presented in thousands)

	Natural Classification				
Functional Classification	*Compensation & Benefits*	*Scholarships & Fellowships*	*Supplies & Expenses*	*Depreciation*	*Total*
Instruction	$ 976,391	$ 17,665	$ 240,531	$ -	$ 1,234,587
Research	193,511	2,188	103,228	-	298,927
Public service	79,115	2,370	41,283	-	122,768
Academic support	340,819	2,838	130,401	-	474,058
Student services	93,631	1,920	31,446	-	126,997
Institutional support	131,696	8	57,793	-	189,497
Physical plant	97,360	45	83,729	-	181,134
Scholarships & fellowships	17,954	118,071	4,364	-	140,389
Auxiliary enterprises	218,241	4,606	148,575	-	371,422
Depreciation	-	-	-	164,697	164,697
Total operating expenses	**$ 2,148,718**	**$ 149,711**	**$ 841,350**	**$ 164,697**	**$ 3,304,476**

Fiscal year ended June 30, 2018

(dollar amounts presented in thousands)

	Natural Classification				
Functional Classification	*Compensation & Benefits*	*Scholarships & Fellowships*	*Supplies & Expenses*	*Depreciation*	*Total*
Instruction	$ 961,577	$ 17,800	$ 239,042	$ -	$ 1,218,419
Research	169,667	1,942	85,442	-	257,051
Public service	74,759	2,177	40,078	-	117,014
Academic support	345,535	2,579	126,070	-	474,184
Student services	93,763	1,806	29,792	-	125,361
Institutional support	113,744	9	50,788	-	164,541
Physical plant	95,089	34	75,025	-	170,148
Scholarships & fellowships	17,197	123,490	5,049	-	145,736
Auxiliary enterprises	203,259	4,866	136,390	-	344,515
Depreciation	-	-	-	158,141	158,141
Total operating expenses	**$ 2,074,590**	**$ 154,703**	**$ 787,676**	**$ 158,141**	**$ 3,175,110**

Changes in allocation and presentation have been made in the current period and prior period related to a method change of deriving the functional classifications of expenses.

Note 16—Commitments and Loss Contingencies

The university had outstanding commitments for capital construction projects of $211,415,000 and $138,229,000 at June 30, 2019 and 2018, respectively.

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the university's financial position.

Note 17—Subsequent Event

On September 4, 2019, the university rolled commercial paper notes Series 2018A with a par amount of $25,000,000, and on September 12, 2019, the university rolled commercial paper notes Series 2018A with a par amount of $9,200,000 for a total of $34,200,000, both of which were outstanding as of June 30, 2019. The purpose of the issue was to provide interim financing for the 11th St. Garage/Office Building including Fine Arts Annex, Wilkinson Hall, Golf Course renovation, and Foster Quad renovation projects, all of which are located on the Bloomington campus. The interest cost for the notes related to these rolls was 1.30%.

Refer to Note 8, Bonds and Notes Payable and Other Obligations for more information on long-term and short-term debt.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies

The Indiana University Foundation, Inc. (the Foundation) is a not-for-profit corporation organized under the laws of the state of Indiana. The corporate purposes of the Foundation are to raise, receive, hold, invest and administer assets and to make expenditures to or for the benefit of Indiana University, including its regional campuses and associated entities (such as the Purdue University schools housed at the Indiana University-Purdue University Indianapolis campus, the Indiana University Building Corporation, Riley Children's Foundation, the Indiana University Research & Technology Corporation, Indiana University Health, the Indiana University Alumni Association, and certain medical practice plans), herein referred to as the University.

The mission of the Foundation is to maximize private support for Indiana University by fostering lifelong relationships with key stakeholders and providing advancement leadership and fundraising services for campuses and units across the University.

The Foundation was originally incorporated in 1936 and is empowered to perform a wide range of services and conduct a variety of activities that support the University as it carries out its missions of teaching, research, and public service. The Foundation conducts general and special purpose fundraising programs, receives and acknowledges gifts for the benefit of the University, administers those gifts to ensure that they are used as specified by the donor, invests those gifts, serves as trustee for certain types of planned gift arrangements, and provides other services for the benefit of the University as requested.

Summary of significant accounting policies:

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

Basis of presentation: The Foundation follows the accounting guidance on financial statements of not-for-profit organizations, which establishes standards for general-purpose external financial statements issued by not-for-profit organizations. It requires that net assets and related support and revenue, expenses, gains and losses be classified into two classes of net assets – without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support the Foundation and the University as determined by the board. The only limits on the use of these net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by an external trustee.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor and/or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Cash and cash equivalents: The Foundation considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. For these short-term instruments, cost approximates the fair market value. The cash balance exceeds federally insured limits. However, the Foundation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

Receivables and other assets: Receivables and other assets primarily consist of life insurance receivables and other miscellaneous receivables. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for receivables and other assets.

Due from brokers: The amount shown as due from brokers represents a receivable from the broker for unsettled sales of securities as of June 30, 2019 and 2018.

Promises to give: Promises to give are recorded at present value, less an allowance for uncollectible amounts, to reserve against future bad debt losses. Management utilizes a rate consistent with the level of risk associated with a donor to discount promises to give. Management estimates the uncollectable reserve annually based on past due pledge installments and evaluates the estimate against actual results to determine reliability of the estimate.

Investments: Investments are carried at fair value. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold.

In connection with its investing and hedging activities, the Foundation enters into transactions, directly and indirectly through positions held by the underlying investment entities, with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the statements of financial position.

The Foundation's direct and indirect investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Foundation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Foundation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Foundation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Foundation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Foundation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Foundation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Alternative investments: The managers of underlying investment entities in which the Foundation invests may utilize derivative instruments with off-balance-sheet risk. The Foundation's exposure to risk is limited to the amount of its investment.

Property, plant and equipment: Property, plant and equipment are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Purchased real estate held to benefit the University is recorded as property, plant and equipment and is depreciated over its estimated useful life, generally 20 years.

Management reviews long-lived assets for possible impairment if there is a significant event that detrimentally affects operations. The primary financial indicator used by the Foundation to assess the recoverability of its long-lived assets held and used is undiscounted future cash flows from operations. The amount of impairment, if any, is measured based on estimated fair value or projected future cash flows using a discount rate reflecting the Foundation's average cost of funds. Management has not identified any triggering events during the years ended June 30, 2019 and 2018.

Due to brokers: The amount shown as due to brokers represents a payable to the broker for unsettled purchases of securities as of June 30, 2019 and 2018.

Split interest agreement obligations: The Foundation has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The Foundation records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries.

Assets held for the University and University affiliates: The Foundation invests and administers net assets owned by the University and its affiliates under a management and custodial agreement. These are reflected as liabilities on the statements of financial position.

Reclassification of donor intent: At times, the Foundation receives requests by donors or their designees to change the use for which their original gift was intended. These requests are reviewed by the Foundation for approval. Approved changes, depending on the donors' requests, may result in the reclassification of net assets between the without donor restrictions and with donor restrictions net asset classes. Reclassifications of donor intent of $8,636 and $9,387 are reflected in the statements of activities as net assets released from restrictions for the years ended June 30, 2019 and 2018, respectively.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Grants: Private research grants are received from donors to support the University's research programs. Research grants are distributed in accordance with the grant by the account manager. Grants recorded as contributions are irrevocable, voluntary nonreciprocal transfers of assets held, administered and maintained for investment purposes at the Foundation.

Management/administrative fees: A fee is charged to accounts within each net asset class for which the Foundation manages investments and other assets. This management fee is charged based on the market value and type of investments and other assets managed. These fees are used for the administration of the Foundation's management and fundraising operations.

Other income: Unrestricted other income is comprised primarily of the following: reimbursements from the University for the cost of direct support of certain fundraising activities; receipts from various program operations, including real estate, air services, the Student Foundation, women's programs and other miscellaneous programs; and the change in the cash surrender value of life insurance policies. The income with donor restrictions is comprised primarily of amounts received from the University with donor related restrictions for activities and events and the change in the cash surrender value of life insurance policies.

Allocation between program and support functions: The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, overhead and fundraising costs, which are allocated based on regularly recurring surveys of managers' time and effort.

Income taxes: The Foundation is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), except for income taxes on unrelated business income that are not significant. Contributions to the Foundation are deductible under Section 170(b)(1)(A)(iv) of the Code.

Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes,* prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2016. As of June 30, 2019 and 2018, the Foundation has no uncertain tax positions.

Use of estimates: The preparation of financial statements in conformity 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 and of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification of prior year presentation: Certain prior year amounts have been reclassified on the statement of activities as of June 30, 2018, for consistency with the current year presentation. The reclassification had no effect on the reported change in net assets.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Adopted accounting standard: The Foundation implemented the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the fiscal year ended June 30, 2019, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined and renamed net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).
- The financial statements include a disclosure of underwater endowments within net assets with donor restrictions (Note 8).
- The financial statements include a disclosure of board designated net assets without donor restrictions (Note 9).
- The financial statements include a disclosure of expenses by functional and natural classification (Note 12).

The changes have the following effect on net assets at June 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Net asset class:		
Unrestricted net assets	$ 84,897	
Temporarily restricted net assets	910,011	
Permanently restricted net assets	1,585,992	
Net assets without donor restrictions		$ 84,897
Net assets with donor restrictions		2,496,003
Total net assets	$ 2,580,900	$ 2,580,900

Recently issued accounting standards: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for the Foundation's June 30, 2020, financial statements. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Foundation has not yet selected a transition method and is currently evaluating the impact of the adoption of the standard on its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The new standard is effective for fiscal years beginning after December 15, 2018, making it effective for the Foundation's June 30, 2020, financial statements. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Additionally, the ASU provides for earlier effective dates for public business entities. As the Foundation is a resource recipient, the ASU is applicable to contributions received for fiscal years beginning after December 15, 2018, making it effective for the Foundation's June 30, 2020, financial statements. Early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

In 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU affects any entity that is required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The new standard is effective for fiscal years beginning after December 15, 2019, making it effective for the Foundation's June 30, 2021, financial statements. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's June 30, 2021, financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of the adoption of the standard on its financial statements.

Subsequent events: The Foundation has evaluated subsequent events for partial recognition and/or disclosure through September 30, 2019, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund the purpose for which the donor established the endowment. In addition, the Foundation receives support without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses, and grants and aid to the University expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 2. Liquidity and Availability (Continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that expenditures to or for the benefit of the University and to support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Net assets at year end	$ 3,215,936
Less non-financial assets:	
Property, plant and equipment, net	(58,327)
	3,157,609
Less amounts not available to be used within one year:	
Investments encumbered by donor restriction	(1,641,005)
Assets designated by the Board	(57,512)
Annual spending policy distribution for encumbered investments	69,663
Investments held for the University and University affiliates	(283,123)
Collateral under security lending agreements	(98,251)
Promises to give for donor restricted gifts or due after one year, net	(246,899)
Receivables and other assets due after one year	(13,490)
Other restricted cash and investments	(9,217)
Financial assets not available to be used within one year	(2,279,834)
Financial assets available to meet general expenditures within one year	$ 877,775

Note 3. Promises to Give

A summary of promises to give as of June 30, 2019 and 2018, follows:

	2019	2018
Promises to give	$ 323,308	$ 294,697
Allowance	(24,195)	(23,060)
Discount	(47,406)	(43,395)
	$ 251,707	$ 228,242

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Promises to Give (Continued)

Promises to give are due in the following periods:

	2019	2018
Promises to give, due in:		
One year or less	$ 17,799	$ 9,892
Between one year and five years	126,121	119,518
More than five years	107,787	98,832
	$ 251,707	$ 228,242

Discount rates used to present value promises to give range between 1.2 percent and 6.0 percent.

Note 4. Fair Value Measurement and Investments

Fair value is 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. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values might be materially higher or lower than the values that would have been used had a readily available market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Foundation’s accounting policies regarding the recognition of transfers between levels of the fair value hierarchy. During the fiscal years ended June 30, 2019 and 2018, no such transfers were made.

Investments in money market funds, mutual funds, exchange-traded funds, and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are categorized as Level 2 in the fair value hierarchy. Investments in government securities, bonds, corporate notes and debt securities which are traded on a national securities exchange or market are valued at the mean between the current "bid" and "asked” quotations on that day. If a reliable bid and asked quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker. These financial instruments are classified as Level 2 in the fair value hierarchy.

Investments in real estate are valued by the Foundation using independent appraisals and statements provided by the management companies of the properties. These financial instruments are classified as Level 3 in the fair value hierarchy.

Net asset value (NAV): Investments in non-registered investment companies consisting of certain hedged equity funds, absolute return funds, venture capital funds, buyout funds, distressed, special situation funds, real estate funds, alternative fixed income funds and natural resource funds are valued at fair value based on the applicable percentage ownership of the underlying investment entities’ net assets as of the measurement date as determined by the Foundation, commonly referred to as the practical expedient. In determining fair value, the Foundation utilizes valuations provided by the underlying investment entities. The underlying investment entities value securities and other financial instruments on a fair value based upon market price, when possible, or at fair value determined by the respective entities' investment manager when no market price is determinable. Although the Foundation uses their best judgment in estimating the fair value of alternative investments, there are inherent limitations in any estimation technique. The estimated fair values of certain of the investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

The practical expedient allows for investments in non-registered investment companies, to be valued at the NAV which represents fair value.

Charitable trusts and gift annuities: Assets received from charitable trusts and gift annuities are recorded at fair value based on donor restriction until the Foundation's obligations to the annuitants have been met. The difference between the fair value of assets contributed and the split interest obligations recorded is recognized as contribution revenue. The Foundation records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries.

Liabilities for charitable gift annuities are recorded in an amount equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables. In computing the liability, management considers the estimated return on the invested assets and the contractual payment obligation during the expected term of each respective annuity agreement. Fair value estimates are classified as Level 3.

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value **	Total
Assets:					
Investments:					
Domestic equities	$ 549,839	$ 409	$ -	$ 81,190	$ 631,438
International equities	302,823	-	-	162,278	465,101
Domestic fixed income	126,486	78,548	-	73,581	278,615
International fixed income	22,718	539	-	6,321	29,578
Real estate	9,866	-	25,045	-	34,911
Cash equivalents	28,896	1,610	-	-	30,506
Alternative investments:	-	-	-	-	-
Hedged equity funds	-	-	-	58,074	58,074
Absolute return funds	-	-	-	345,840	345,840
Venture capital	-	-	-	216,754	216,754
Buyouts	-	-	-	184,577	184,577
Distressed / special situations	-	-	-	55,726	55,726
Real estate	-	-	-	144,137	144,137
Alternative fixed income	-	-	-	46,942	46,942
Natural resources	-	-	-	155,325	155,325
	$ 1,040,628	$ 81,106	$ 25,045	$ 1,530,745	$ 2,677,524
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 42,633	$ -	$ 42,633

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value **	Total
Assets:					
Investments:					
Domestic equities	$ 534,125	$ 10,918	$ -	$ 73,384	$ 618,427
International equities	305,543	-	-	137,511	443,054
Domestic fixed income	104,339	151,050	-	71,307	326,696
International fixed income	12,001	14,107	-	5,569	31,677
Real estate	8,369	-	24,109	-	32,478
Cash equivalents	26,933	1,800	-	-	28,733
Alternative investments:					
Hedged equity funds	-	-	-	83,263	83,263
Absolute return funds	-	-	-	339,546	339,546
Venture capital	-	-	-	174,310	174,310
Buyouts	-	-	-	148,523	148,523
Distressed / special situations	-	-	-	38,293	38,293
Real estate	-	-	-	113,522	113,522
Alternative fixed income	-	-	-	46,867	46,867
Natural resources	-	-	-	133,041	133,041
	$ 991,310	$ 177,875	$ 24,109	$ 1,365,136	$ 2,558,430
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 38,754	$ -	$ 38,754

** Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

As of June 30, 2019 and 2018, the Foundation had $715,992 and $609,631, respectively, of unfunded capital commitments to various alternative investments, which have no specific capital call dates and such capital calls are at the discretion of the alternative investment fund managers. Management believes most of the commitments will be called in the next one to five years.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which at least one significant unobservable input is used in the valuation model. The tables below present a reconciliation of activity for the Level 3 financial instruments as of June 30, 2019 and 2018:

	2019	2018
Beginning balance (real estate)	$ 24,109	$ 19,005
Realized and unrealized gains (losses)	(377)	(1,659)
Purchases	6,273	7,984
Sales and settlements	(4,960)	(1,221)
	$ 25,045	$ 24,109

The following presents a reconciliation for the changes in the Foundation's liability for charitable remainder and annuity trusts, which is deemed a Level 3 liability:

	2019	2018
Beginning balance	$ 38,754	$ 34,766
Liability portion of charitable gifts received	4,965	1,840
Payments to annuitants	(4,261)	(4,312)
Change in the present value of split interest obligations	3,175	6,460
	$ 42,633	$ 38,754

The table below presents the Foundation's ability to redeem investments valued at net asset value or its equivalent as of June 30, 2019 and 2018, and includes the underlying investment entities' redemption frequency and redemption notice period. The table also includes a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2019 and 2018:

Investment Category and Strategy	2019 Fair Value	2019 Unfunded Commitments	2018 Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities[(a)]	$ 81,190	$ -	$ 73,384	quarterly, annually	30-60 days
International equities[(b)]	162,278	-	137,511	weekly, monthly	7-30 days
Domestic fixed income[(c)]	73,581	-	71,307	monthly, bimonthly, quarterly	30-45 days
International fixed income[(d)]	6,321	-	5,569	monthly, bimonthly, quarterly	30-45 days
Hedge equity funds[(e)]	58,074	-	83,263	monthly, quarterly, **** semi-annually, annually	3-95 days
Absolute return funds[(f)]	345,840	-	339,546	monthly, quarterly, **** semi-annually, annually	3-95 days
Venture capital funds[(g)]	216,754	95,267	174,310	Long-term commitment ***	none
Buyout funds[(h)]	184,577	270,192	148,523	Long-term commitment ***	none
Distressed/special situation funds[(i)]	55,726	97,861	38,293	Long-term commitment ***	none
Real estate funds[(j)]	144,137	127,287	113,522	Long-term commitment ***	none
Alternative fixed income[(k)]	46,942	16,713	46,867	Long-term commitment ***	none
Natural resources funds[(l)]	155,325	108,672	133,041	Long-term commitment ***	none
	$ 1,530,745	$ 715,992	$ 1,365,136		

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

*** The nature of this investment class is that distributions are received through liquidations of the underlying assets of the underlying investment fund and expected to occur over the remaining life (ranging from one to ten years). These underlying funds generally hold investments that are illiquid in the short term but are expected to be liquid over the long run. Distributions from these underlying funds are at the discretion of the underlying fund manager.

**** As of June 30, 2019, 60 percent of the total Marketable Alternative Investments (Hedged equity funds and Absolute return funds) could be redeemed in 0-6 months, an additional 29 percent could be redeemed between 7-12 months and 5 percent could be redeemed between 13-24 months. The remaining 6 percent is designated as illiquid investments.

[a] This category includes investments held in mutual funds, exchange-traded funds, public equities, partnerships, and limited liability companies located in the United States.
[b] This category includes investments held in mutual funds, exchange-traded funds, partnerships, and limited liability companies located in economies outside of the United States.
[c] This category includes investments that are primarily in both long-term and short-term fixed income securities located in the United States. Management of the investments has the ability to make individual short positions; however, the overall fund position is net long. There were no restricted investments as of June 30, 2019.
[d] This category includes investments that are primarily in both long-term and short-term fixed income securities located in economies outside of the United States. Management of the investments has the ability to make individual short positions; however, the overall fund position is net long. There were no restricted investments as of June 30, 2019.
[e] This category includes investments in hedge funds that invest globally in both long and short common stocks across all market capitalizations. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures.
[f] This category includes investments in hedge funds that invest opportunistically across various strategies, including long/short equity, fixed income, distressed credit, merger arbitrage, convertible arbitrage, etc.
[g] This category includes investments that are primarily in early-stage companies in the technology and life science sectors. The nature of investments in this category is that money is distributed as underlying companies are exited via acquisition or Initial Public Offering (IPO). The typical life of a partnership is 10 years but is subject to extensions.
[h] This category includes private equity funds that invest across sectors primarily in the United States, but also internationally. The nature of investments in this category is that money is distributed as underlying companies are recapitalized or exited via acquisition or IPO. The typical life of a partnership is 10 years but is subject to extensions.
[i] This category includes investments that are focused on distressed or secondary investments. The typical life of a partnership is 10 years but is subject to extensions.
[j] This category includes investments that are primarily in U.S. commercial real estate, but also includes real estate funds focused on Europe and Asia. The real estate exposure can include both publicly traded Real Estate Investment Trust funds and private partnerships. The typical life of a partnership is 10 years but is subject to extensions.
[k] This category includes investments that are focused primarily on direct lending across the corporate and real estate sectors. The investments are structured to provide a steady stream of income to the Foundation based on floating interest rate loans. The typical life of a partnership is five years but is subject to extensions.
[l] This category includes investments that are focused on private energy, mining and minerals, and timber. The typical life of a partnership is 10 years but is subject to extensions. Certain funds in this category may provide an income stream as the underlying commodity is harvested/sold.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

In instances in which an underlying investment fund has invested in securities that have less liquidity, such investments may be held in a "side pocket." Generally side pockets are illiquid with no active market. The fair value of the Foundation's investment in underlying funds which are designated as side pocketed was $21,407 and $12,247 as of June 30, 2019 and 2018, respectively.

The following table summarizes the qualitative information about certain of the Foundation's Level 3 inputs as of June 30, 2019 and 2018:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges
Real estate investments, 2019	$ 25,045	Market approach	Comparable transactions	N/A
Real estate investments, 2018	$ 24,109	Market approach	Comparable transactions	N/A

Note 5. Securities Lending

The Foundation has a securities lending agreement and guaranty agreement with The Bank of New York Mellon Corporation (BNY). BNY may lend, up to $110,000 of the stocks and bonds for which it holds as custodian, to borrowers under terms of participation in a securities lending program and acts as agent and administrator for the program. The securities lending agreement requires that loans are collateralized at all times in an amount equal to at least 102 percent of the market value of any loaned securities at the time of the loan, plus accrued interest.

The Foundation receives compensation in the form of fees and earns interest on the cash collateral. The amount of fees depends on a number of factors including the type of security and length of the loan. The Foundation continues to receive interest payments or dividends on the securities loaned during the borrowing period. The Foundation has the right under the terms of the securities lending agreement to recall the securities from the borrower on demand.

As of June 30, 2019 and 2018, the Foundation had loaned securities that were collateralized by cash equivalents and short duration fixed income instruments. The cash collateral is invested by BNY in accordance with approved investment guidelines. Those guidelines require the cash collateral to be invested in readily marketable, high-quality, short-term obligations; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty or otherwise may not generate sufficient interest to support the costs associated with securities lending. The Foundation could also experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although the Foundation is indemnified from this risk by contract with the securities lending agent. As of June 30, 2019 and 2018, the market value of the securities on loan and payable on collateral due to broker totaled $98,251 and $90,182, respectively.

The Foundation receives cash as collateral in return for securities lent as part of the securities lending program. The collateral is invested in the Collateral Portfolio (a securities lending trust subject to Rule 2a-7 under the 1940 Act). The schedules of investments for the Foundation include the particular cash collateral holdings as of June 30, 2019 and 2018. The interest income earned by the Foundation on investments of cash collateral received from borrowers for the securities loaned to them ("securities lending income") is reflected in the Foundation's statements of activities. Interest income earned on collateral investments and recognized by the Foundation during the years ended June 30, 2019 and 2018, was $178 and $224, respectively.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 5. Securities Lending (Continued)

The table below outlines the gross obligations for secured borrowings by the type of collateral pledged at June 30:

	2019	2018
Cash collateral:		
U.S. equities	$ 70,467	$ 70,096
U.S. corporate	-	5,629
U.S. government	-	939
Non-U.S. equities	838	1,645
Non-cash collateral:		
U.S. equities	26,156	10,898
U.S. corporate	-	31
Non-U.S. equities	790	944
	$ 98,251	$ 90,182

Note 6. Split Interest Agreements

A summary of assets held and the obligations related to split interest agreements as of June 30, 2019 and 2018, follows:

	2019	2018
Assets (included in investments):		
Charitable remainder trusts and other	$ 33,880	$ 32,451
Charitable gift annuities	41,314	37,290
	$ 75,194	$ 69,741
Liabilities - split interest agreement obligations	$ 42,633	$ 38,754

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the Foundation. The Foundation maintains reserves and a surplus of such reserves in an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts. These reserves shall not be applied for the payment of debts and obligations of the Foundation or for any purpose other than payment of the annuity benefits.

Note 7. Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2019 and 2018, follows:

	2019	2018
Land and buildings	$ 84,854	$ 86,840
Information and technology equipment	2,558	2,579
Other	2,828	2,816
	90,240	92,235
Less accumulated depreciation	(31,913)	(29,989)
	$ 58,327	$ 62,246

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 8. Endowments

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the board to function as endowments and consists of 6,645 and 6,329 individual funds as of June 30, 2019 and 2018, respectively. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board has interpreted the State of Indiana's *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds and providing for intergenerational equity. This value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until donor stipulations are fulfilled and those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The following tables present the Foundation's endowment composition, changes and net asset classifications as of and for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,195,787	$ 2,195,787
Board-designated endowment	36,748	-	36,748
	$ 36,748	$ 2,195,787	$ 2,232,535

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,116,176	$ 2,116,176
Board-designated endowment	35,340	-	35,340
	$ 35,340	$ 2,116,176	$ 2,151,516

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 8. Endowments (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	$ 35,340	$ 2,116,176	$ 2,151,516
Investment income	2,269	88,907	91,176
Contributions and other revenue	851	95,446	96,297
Appropriation of endowment assets for expenditure	(1,712)	(104,742)	(106,454)
	$ 36,748	$ 2,195,787	$ 2,232,535

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	$ 29,114	$ 1,956,146	$ 1,985,260
Investment income	2,981	137,064	140,045
Contributions and other revenue	6,896	125,964	132,860
Appropriation of endowment assets for expenditure	(3,651)	(102,998)	(106,649)
	$ 35,340	$ 2,116,176	$ 2,151,516

Net assets include nonexpendable and expendable assets related to donor gifts and assets held in perpetuity or held in trust with explicit time and/or purpose restrictions. These can be held either for the benefit of the Foundation or for the benefit of the University.

Return objectives and risk parameters: The primary investment objective of the Foundation's asset management program is to achieve an annualized total return (net of fees and expenses) equal to or greater than the rate of inflation, in order to maintain the purchasing power of those assets. The assets are managed in a manner that will not only meet the primary investment objective, but also seek growth above the objective and attempt to limit volatility for year-to-year spending.

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return that exceeds the sum of the distribution rate, inflation and administrative fees of the endowment, while assuming a prudent level of investment risk. Actual results may not be sufficient to achieve this over some shorter time frames.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 8. Endowments (Continued)

Strategies employed for achieving investment objectives: To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. Endowment assets will be invested in the Foundation's Pooled Long-Term Fund. Operating funds will typically be invested in the Pooled Short-Term Fund. An additional option is the Pooled Intermediate-Term Fund, which will fill a need for those operating funds that are due to be spent six months to two years from the time the cash is received. The Foundation's Investment Committee understands the long-term nature of the endowment assets and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection. Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Pooled Long-Term Fund, but is a residual to the investment process and used to meet the short-term liquidity needs.

Relationship of spending policy to investment objectives: The Foundation determines the method to be used to make endowment distributions to the University. In establishing a method, the Foundation considers the expected long-term rate of return on the investment of the Foundation's endowment funds. Over the long term, the Foundation expects the spending policy to allow the endowment to grow at a sufficient rate to maintain the purchasing power of the endowment assets over time, sometimes referred to as intergenerational equity, as well as to provide additional real growth through new gifts. Effective July 1, 2011, the Foundation determined that distributions will continue to be based upon a 12-quarter rolling average of the market value of the Pooled Long-Term Fund, but constrained by inflation bands that will limit the distributions to fall within two times inflation on the growth side and one times inflation on the down side, based on what was distributed in the previous year. The inflation factor is calculated as a rolling five-year average of the Consumer Price Index. Additionally, the distribution rate is 4.5 percent in fiscal year 2018-2019. The expectation is that these inflation bands will prevent distributions from fluctuating widely. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

Underwater endowments: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed. At June 30, 2019 and 2018, there were 631 and 671 accounts of $220,782 and $228,775 with a current fair value of $207,493 and $215,229, respectively. The total underwater amount of $13,289 and $13,546 as of June 30, 2019 and 2018, respectively, resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions of donor-restricted endowment funds and continued appropriation for their related programs, which have been deemed prudent by the Board.

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 9. Board Designated Net Assets

The Indiana University Foundation's board of directors has designated from net assets without donor restrictions, $57,512 and $52,345, as of June 30, 2019 and 2018, respectively, net assets for the following purposes:

	2019	2018
Quasi-endowments:		
Foundation	$ 31,586	$ 30,087
University	5,162	5,253
Reserves and encumbrances	20,764	17,005
	$ 57,512	$ 52,345

Note 10. Net Assets with Donor Restrictions

The income generated from restricted net assets is used in accordance with the donors' time and/or purpose restrictions. Foundation operations' and University programs' donor restricted assets listed in the following table include $1,660,584 and $1,585,992 of donor restricted assets held in perpetuity for the years ended June 30, 2019 and 2018, respectively. A summary of net assets with donor restrictions and the nature of the related donor-imposed restrictions as of June 30 are as follows:

	2019	2018
Foundation operations	$ 32,622	$ 30,550
University programs:		
Awards	39,451	35,008
Capital and capital improvements	136,212	136,821
Fellowships / lectureships	150,027	136,857
General endowments	652,524	624,533
Medical practice plans	35,371	34,565
Operations	91,808	79,855
Professorships / chairs	603,499	579,705
Research	107,933	106,282
Scholarships	762,607	731,827
	$ 2,612,054	$ 2,496,003

Note 11. Retirement Plan

The Foundation maintains the Indiana University Foundation Section 403(b) Annuity Plan (the Plan), a defined contribution retirement plan available to all eligible employees. The Foundation Investment Retirement Committee administers the operation of the Plan. Benefits to retired participants are based on the value of the individual retirement account at the date of retirement. The total contribution is 10 percent of the participant's annual salary up to the social security wage base and 15 percent on annual salary in excess of the social security wage base. The Foundation's policy is to fund retirement costs related to the Plan as incurred. Retirement expense related to this plan amounted to $2,145 and $2,097 for the years ended June 30, 2019 and 2018, respectively.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 12. Functional Classification of Expenditures

Program expenditures include support for Foundation and University programs. For the years ended June 30, 2019 and 2018, a summary of these expenditures is as follows:

2019	Grants and Aid to the University	Management and General	Fundraising	Total
University activities:				
University support	$ 37,568	$ -	$ -	$ 37,568
Student scholarships and financial aid	53,144	-	-	53,144
Land, building and equipment purchases	38,581	-	-	38,581
Faculty support	36,396	-	-	36,396
Faculty research	5,055	-	-	5,055
Foundation activities:				
Salaries and benefits	976	8,505	15,230	24,711
Depreciation	2,272	265	473	3,010
Insurance	156	212	329	697
Interest	278	-	-	278
Maintenance	1,213	648	564	2,425
Miscellaneous	524	124	221	869
Office expenses	18	310	850	1,178
Professional fees	168	969	741	1,878
Technology	17	552	981	1,550
Training and recruitment	-	200	114	314
Travel and representation	1,571	746	1,382	3,699
Utilities	8	267	5	280
Bad debts	-	10,449	-	10,449
	$ 177,945	$ 23,247	$ 20,890	$ 222,082

2018	Grants and Aid to the University	Management and General	Fundraising	Total
University activities:				
University support	$ 51,965	$ -	$ -	$ 51,965
Student scholarships and financial aid	52,057	-	-	52,057
Land, building and equipment purchases	41,224	-	-	41,224
Faculty support	32,423	-	-	32,423
Faculty research	43,531	-	-	43,531
Foundation activities:				
Salaries and benefits	908	7,909	14,161	22,978
Depreciation	2,193	95	856	3,144
Insurance	178	132	416	726
Interest	188	-	-	188
Maintenance	1,113	289	736	2,138
Miscellaneous	115	-	-	115
Office expenses	22	371	931	1,324
Professional fees	263	446	609	1,318
Technology	18	615	1,644	2,277
Training and recruitment	-	196	108	304
Travel and representation	1,248	756	1,481	3,485
Utilities	24	280	8	312
Bad debts	-	11,764	-	11,764
	$ 227,470	$ 22,853	$ 20,950	$ 271,273

Note 18-Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 13. Related-Party Transactions

In addition to amounts and transactions disclosed in the preceding notes and financial statements, the following is a summary of related-party transactions. These transactions have been summarized below by financial statement classification as reported in the statements of activities. Related parties include affiliates, Board of Directors, management, and members of their immediate families.

Support and other revenue:

Fees and other income: Included in unrestricted other income is direct support from the University for certain fundraising efforts as well as income from its program operations. For the years ended June 30, 2019 and 2018, the University provided development services support to the Foundation in the amount of $4,416 and $4,416, and reimbursed the Foundation for its direct support of campaign fundraising efforts in the amount of $1,089 and $913, respectively. As a part of the Foundation's program operations, the Foundation received support from the University for each of the years ended June 30, 2019 and 2018, respectively, as follows: $6,047 and $5,673 of rental income for the lease of certain real estate; $421 and $438 for Telefund service fees related to its telephone fundraising operations; $1,168 and $881 for charter services; and $21,944 and $20,665 in management/administrative fees, of which $2,648 and $2,619 were received on custodial assets held for the University or University affiliates.

Contributions and promises to give: The Foundation includes related-party contributions in the statements of activities and outstanding related-party promises to give in the statements of financial position.

A summary of related-party contributions and promises to give as of and for the years ended June 30, 2019 and 2018, follows:

	2019	2018
Contributions	$ 13,570	$ 11,105
Promises to give	92,634	101,074

Expenditures:

Program expenditures: The Foundation operates a program to acquire on behalf of, lease to, and/or grant real estate to the University. Included in University support are the net book values of properties granted to the University totaling $1,191 and $131 for the years ended June 30, 2019 and 2018, respectively. In addition, program costs include maintenance and repair, utilities, insurance and taxes. Income received by the Foundation related to these operations is recorded in other income.

Note 14. Cash Flows Information

Supplemental information relative to the statement of cash flows for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 276	$ 140
Non-cash investing and financing activities:		
Gifts of securities, life insurance, and real and personal property at fair value	$ 39,944	$ 23,933
Transfer of real estate investments to fixed assets	$ -	$ 3,131

Schedule of the University's Proportionate Share of the Net Pension Liability for the Indiana Public Employees' Retirement Fund (last 10 years[1]):

(dollar amounts presented in thousands)

	Measurement Date as of				
	June 30, 2018	*June 30, 2017*	*June 30, 2016*	*June 30, 2015*	*June 30, 2014*
University's proportion of the net pension liability	2.02%	2.06%	2.11%	3.30%	3.85%
University's proportionate share of the net pension liability	$ 68,576	$ 92,066	$ 95,689	$ 134,565	$ 101,229
University's covered-employee payroll	$ 124,694	$ 128,504	$ 139,508	$ 156,848	$ 185,019
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.00%	71.64%	68.59%	85.79%	54.71%
Plan fiduciary net position as a percentage of the total pension liability	78.90%	76.60%	75.30%	77.30%	84.30%

The amounts presented for each fiscal year were determined as of June 30.

Schedule of the University's Contributions for the Indiana Public Employees' Retirement Fund (last 10 years[1]):

(dollar amounts presented in thousands)

	Fiscal Year				
	2019	*2018*	*2017*	*2016*	*2015*
Contractually required contribution	$ 11,170	$ 13,978	$ 13,980	$ 15,637	$ 17,484
Contributions in relations to the contractually required contribution	$ (11,170)	$ (13,978)	$ (13,980)	$ (15,637)	$ (17,484)
Contribution deficiency	-	-	-	-	-
University's covered-employee payroll	$101,364	$124,694	$128,504	$139,508	$156,848
Contributions as a percentage of covered-employee payroll	11.02%	11.21%	10.88%	11.21%	11.15%

The amounts presented for each fiscal year were determined as of June 30.

Notes to RSI for Fiscal Year 2019:

Changes of Benefit Terms: None
Changes in Assumptions: For the actuarial valuation as of June 30, 2018, the Cost-of-Living Adjustment (COLA) assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS assumes the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

[1] *GASB Statement No. 68 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to those presented. Additional years will be included in future reports as data becomes available.*

Schedule of the University's Total Liability for Other Postemployment Benefit Plans (last 10 years[1]) Under GASB 75:

(dollar amounts presented in thousands)

	Service Cost	*Interest*	*Changes in Assumptions*	*Differences Between Expected and Actual Experience*	*Benefit Payments*	*Net Change in Total OPEB Liability*	*Total OPEB Liability, Beginning of Year*	*Total OPEB Liability, End of Year*	*Covered Employee Payroll*	*Total Liability as Percentage of Covered Employee Payroll*
Fiscal Year 2019:										
18/20 Plan	$ 2,209	$ 4,571	$ 653	$ (3,203)	$ (26,277)	$(22,047)	$ 128,913	$ 106,866	$ 24,322	439.4%
Retiree Health Insurance	8,427	4,243	3,257	(6,325)	(4,552)	5,050	103,463	108,513	1,248,265	8.7%
Retiree Life Insurance	974	1,410	2,134	-	(1,435)	3,083	36,167	39,250	1,248,265	3.1%
Total	**$11,610**	**$10,224**	**$ 6,044**	**$ (9,528)**	**$(32,264)**	**$(13,914)**	**$268,543**	**$254,629**		
Fiscal Year 2018:										
18/20 Plan	$ 3,442	$ 5,169	$ (790)	$ (3,625)	$ (32,188)	$ (27,992)	$ 156,905	$ 128,913	$ 23,729	543.3%
Retiree Health Insurance	3,111	1,494	3,498	58,618	(3,714)	63,007	40,456	103,463	1,211,908	8.5%
Retiree Life Insurance	1,095	1,301	(909)	69	(1,286)	270	35,897	36,167	1,211,908	3.0%
Total	**$ 7,648**	**$ 7,964**	**$ 1,799**	**$ 55,062**	**$(37,188)**	**$ 35,285**	**$ 233,258**	**$268,543**		

Notes to RSI:

Fiscal Year 2019:
Changes of Benefit Terms: There were no changes of benefit terms for the plan year ended June 30, 2019.
Changes in Assumptions: The discount rate decreased to 3.51% as of June 30, 2019. The health care trend rates have been reset to an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 5.0%.

Fiscal Year 2018:
Changes of Benefit Terms: There were no changes of benefit terms for the plan year ended June 30, 2018; however, the medical plan available to retirees has been changed from the PPO $900 Deductible plan (which is no longer offered) to the Anthem PPO HDHP plan.
Changes in Assumptions: The discount rate was 3.87% as of June 30, 2018, and 3.58% as of July 1, 2017. The actuarial cost method was updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. The mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%.

[1] *GASB Statement No. 75 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to 2018. Additional years will be included in future reports as data becomes available.*

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