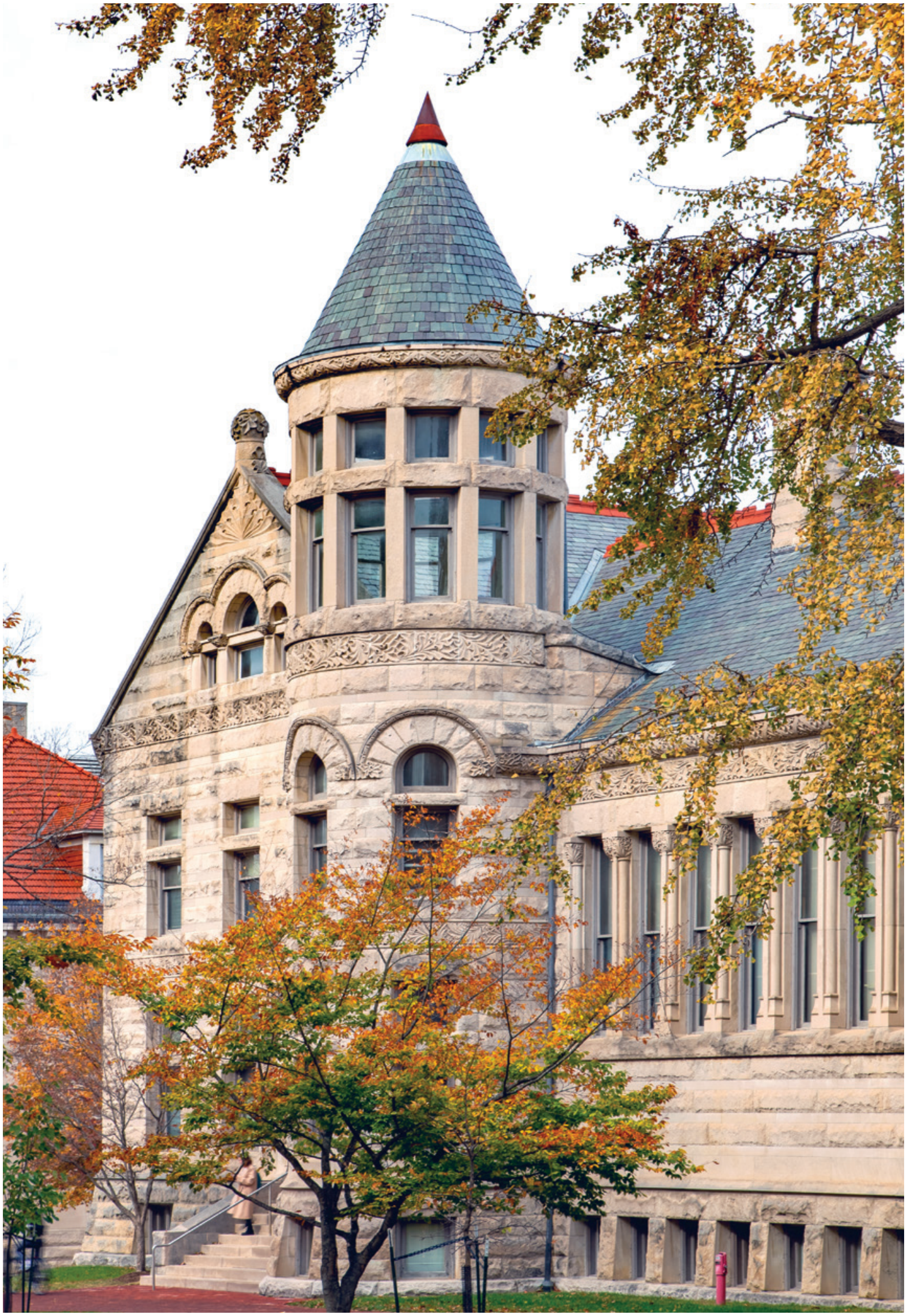
ANNUAL FINANCIAL REPORT

INDIANA UNIVERSITY

2019–2020



Maxwell Hall
Old Crescent; Bloomington

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Indiana University Annual Financial Report 2019–2020

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 2019–2020 Financial Report.

Our world and our state have changed enormously since the arrival of the COVID-19 pandemic.

The Indiana University community continues to persevere in the face of the pandemic, thanks to an enormous effort from thousands of people across all IU campuses and in nearly every office, dating back to the earliest days of the pandemic. I continue to be extremely proud of students, faculty, and staff, who have banded together with the greatest energy and vigor to ensure that the current academic year is as safe as possible and to confront—with courage, creativity, and compassion—new developments and challenges as they arise.

We are extremely proud that—in the face of enormous challenges confronting colleges and universities in Indiana and across the nation—we are continuing to meet our core mission of bringing greater health and prosperity to Hoosiers through the world-class education we offer. We continue to see very large numbers of new and returning students who are choosing to pursue their degrees at IU, which reflects the success of our efforts to ensure that our academic programs remain accessible and affordable to students from all backgrounds, and that they are highly relevant and responsive to the most important needs of our students and our state's leading employers.

EDUCATING HOOSIERS

Indiana University continues to educate more Indiana residents than any other college or university in the state, as its student body becomes more diverse and prepares itself to meet the state's critical health and economic development needs.

As of August 31, the official IU census day for the fall semester, 70 percent of the 90,090 degree-seeking students enrolled on IU campuses were Indiana residents. These 62,992 Hoosier students are, by far, the largest total of Indiana residents enrolled at any college or university.

RECORD DIVERSITY

IU's 2020 fall semester enrollment reflects its continued leadership in providing opportunities for all students, regardless of their racial or cultural background, and ensuring the student populations on its campuses are as diverse as the Indiana regions they serve. IU Bloomington has enrolled 9,950 degree-seeking minority students this fall. They represent 26.2 percent of the campus's total degree-seeking population. IU has another 8,408 degree-seeking minority students who have enrolled at IUPUI and make up over 31 percent of the campus's degree-seeking population.

Over a 16-year period, IU's domestic enrollment of underrepresented minorities has increased by 110.7%. IU has been—and remains—committed to having a minority population that at least reflects the state's minority population. Yet again this year, IU's percentage of minority students exceeds the state's minority population percentage. Of all Indiana's public institutions, IU has the largest minority enrollment.

IU's increasing minority enrollment is testament, in part, to the meaningful actions we have taken in recent years to foster more welcoming and inclusive campus environments and to ensure that our minority students have the support and resources they need to recognize their fullest academic potential. But we will not rest on our recent successes. Continuing to take tangible action toward being a truly anti-racist university—one that advocates access, respect, equity, and community for all—will be critical in the months and years ahead.

IU has also focused on recruiting and enrolling 21st Century Scholars. Since FY 2015, the university has seen an increase of 32 percent in 21st Century Scholarship recipients. We are also proud to say that across all our campuses, on-time completion rates for 21st Century Scholars has improved in the last five years. These increases in on-time completion range from 8.4 percent to 28.3 percent. In addition, IU has 6,000 (or 56 percent) more Pell students than the entire Ivy League, demonstrating our commitment to all students while maintaining national leadership.

EDUCATING TOMORROW'S HEALTH AND BUSINESS LEADERS

Our fall enrollment figures also illustrate the university's strong and increasing impact on Indiana's health and economic development. Noteworthy figures this fall include:

- More than 28,000 IU students enrolled in health- and business-related programs.
- A 30 percent increase in student enrollment in health sciences programs at IU Fort Wayne, now beginning its third academic year.
- A 48 percent increase in beginner enrollments in the IU Kelley School of Business's top-ranked Online MBA program.
- Over 17 percent growth in enrollment in online graduate business programs at IU.

These data tell only part of the story of the way IU continues to answer the state's call for highly trained employees who can meet the greatest public health and business challenges facing Indiana communities.

IU also remains a leader in degree production in Indiana with over 22,000 degrees produced in FY 2020, which is nearly half of all degrees produced in the state. Since 2010, IU's overall degree production has increased nearly 25 percent.

IU produces nearly half of all bachelor's degrees, nearly half of all master's degrees, and over half of all doctoral and professional degrees. We are the largest producers of doctors, nurses, teachers, and dozens of other vital professions, at a time when many of these fields are seeing labor demand increase.

ENSURING AFFORDABILITY AND STUDENT SUCCESS

Not only is IU producing nearly half the state's college-educated workforce, but we are ensuring that a college education is affordable. Over the past eight years, annual student loan borrowing has dropped by $140.6 million, or 21.6 percent. We have also increased undergraduate gift aid by 51.1 percent over the past eight years for a total of $132.7 million in the 2019–2020 academic year.

We are also ensuring that students are prepared to enter the workforce. More than 21,000 students participate in programs that help them to do so, including career coaching, resume writing, and interview preparation. We are also ensuring that IU Hoosiers see success after graduation. The career outcome rate, which measures students who accepted employment, pursued a continuing degree, served in the military or a volunteer program, in fiscal year 2019 was 93 percent for students who received an undergraduate degree. Of those students who accepted employment, 83 percent secured employment in their field of study.

IU ONLINE: MEETING STUDENTS WHERE THEY ARE

IU continues to honor its mission as Indiana's flagship public university by expanding access to its quality academic programs and working to more effectively reach nontraditional students seeking to further their education and earning power.

IU Online, launched in 2012, now offers over 150 online programs for both degree-seeking and non-degree-seeking students; the programs include certificates as well as associate, bachelor's, master's, and doctoral degrees. All of the more than 2,000 IU Online courses are developed and taught by IU faculty and are an extension of the IU curriculum.

This fall, 7,444 students are enrolled in IU Online, a 17.5 percent increase over last year's total. With its long experience in providing an authentically IU educational experience for online students, IU Online has been a critically important part of IU's rapid expansion of virtual education in response to the COVID-19 pandemic.

CATALYZING RESEARCH IN IU'S THIRD CENTURY

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. In fiscal year 2020, IU researchers received a record $854 million in external funding for research and other activities. This is the highest total of external grant funding obtained by any research university in the state during the last fiscal year and the highest annual total—by far—in IU history.

This year's figure represents an increase of more than 25 percent over last year's total of $680.2 million, which was the previous IU record. The total includes $418 million in federal grants and contracts, including an IU record of $245.7 million in funding from the National Institutes of Health, the major federal government source of support for health sciences research in the United States. It also includes $48.7 million in awards from the National Science Foundation and $81 million in sponsored funding from industry.

This year's total also includes a total of $344.3 million in non-governmental grants, which is also an IU record and which represents an increase of more than 65 percent over last year's record of $208.3 million. This record total in non-governmental grants was made possible, in part, by a one-time gift of $145 million from our vital partners at IU Health—for which we are enormously grateful. This will support the new medical treatment and research complex in Indianapolis.

This year's record figure is all the more noteworthy in light of the extraordinary circumstances under which IU researchers have worked during the last several months of the fiscal year due to the COVID-19 pandemic. It is also noteworthy given the increasingly competitive environment that has faced researchers across the country. The demand for research funding has steadily increased and continues even more to exceed the supply.

The enormous success Indiana University faculty have had in competing for sponsored awards is a testament to the quality of our faculty and their work. IU's outstanding faculty are engaged in a wide range of research and scholarship that results in the generation of innovative new ideas, new intellectual works, and discoveries that cure disease, protect our environment, help secure our nation, grow the economy, and advance art and culture in our communities.

IU'S ECONOMIC IMPACT IN THE STATE

Earlier this year, IU contracted with Emsi, a labor market analytics firm and an affiliate of the Strada Education Network, to do a study on the university's statewide economic impact.

Their report demonstrates that during FY 2019, IU created $9.9 billion in added income for Indiana.

This impact on Indiana can be felt widely and tangibly across each of its 92 counties. Through the scope of its activities, IU vastly benefits Indiana by educating citizens, preventing and treating disease to improve health, enriching arts and culture, enhancing policymaking, developing sustainable infrastructure, and promoting economic growth. Of this nearly $10 billion total, $7 billion comes from alumni impact.

One out of every 26 jobs in Indiana is supported by the activities of IU and its students. The $9.9 billion impact supported 151,015 state jobs, which includes those based on direct and indirect spending, using the jobs-to-sales ratios specific to each industry in the state. According to the Bureau of Labor Statistics, Indiana had nearly 4 million total jobs during the analysis year. As the analysis indicates, IU supports 151,015 of those jobs, which translates to one out of every 26 jobs in Indiana being supported by the activities of IU and its students. Thus, if IU and its alumni did not exist, one out of every 26 jobs in Indiana similarly would not exist.

For every dollar that a student invests in their education at IU, they will receive $3.50 in higher future earnings. A degree from IU provides citizens with the capacity to increase lifetime earning potential and to achieve upward social mobility. And research indicates that a well-educated workforce corresponds with improved health, lower rates of mortality, and lower overall rates of crime and poverty.

CONCLUSION

As we begin Indiana University's third century of service, our mission must be—as it has always been—to confirm our traditions of excellence in our fundamental missions of education, research, and service, and by so doing, ensure that Indiana University will be a leader among the great universities of the 21st century.

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, 2020. 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, 2019, through June 30, 2020. The statements report the university's financial position at June 30, 2020, with comparative data from the previous fiscal year. In addition, financial results of the Indiana University Foundation are incorporated in the 2019–2020 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, 2020, the institution had an increase in net position of $193,482,000, or 5%, over the prior year. This positive financial performance was achieved while focusing on affordability. Undergraduate tuition and fee rate increases in 2020 increased by 2.5% for in-state tuition and by 3.0% for out-of-state tuition. Complementing these moderate tuition increases was continued financial support for our students with $493,664,000 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 2020, state support for University operations was $589,746,000, while state support for capital projects was $20,036,000. Simultaneously, donor support brought into the University was $152,005,000.

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, 2020.

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, 2020 and 2019, 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 the 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. We also did not audit the Schedule of Investments Held by the Foundation on behalf of the University. Those statements and schedule were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the investments held by the Foundation, is based solely on the reports 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 and the Schedule of Investments Held by 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.

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

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, 2020 and 2019, 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.

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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, 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 23, 2020

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, 2020, with selected comparative information for the fiscal years ended June 30, 2019 and 2018. 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 multi-campus 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 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, 2020, 2019, and 2018, is summarized as follows:

Condensed Statement of Net Position
(in thousands of dollars)

	June 30, 2020	*June 30, 2019*	*June 30, 2018*
Current assets	$ 902,893	$ 643,409	$ 567,218
Capital assets, net	3,532,546	3,354,987	3,278,609
Other assets	1,657,199	1,665,177	1,682,820
Total assets	**6,092,638**	**5,663,573**	**5,528,647**
Deferred outflows of resources	**80,225**	**88,336**	**117,817**
Current liabilities	470,485	459,046	442,883
Noncurrent liabilities	1,571,865	1,373,121	1,397,908
Total liabilities	**2,042,350**	**1,832,167**	**1,840,791**
Deferred inflows of resources	**44,475**	**27,186**	**23,534**
Net investment in capital assets	2,487,799	2,391,112	2,320,100
Restricted net position	480,321	297,086	286,520
Unrestricted net position	1,117,918	1,204,358	1,175,519
Total net position	**$ 4,086,038**	**$ 3,892,556**	**$ 3,782,139**

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, self-liquidity requirements, and 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 $259,484,000, or 40%, and increased $76,191,000, or 13%, in 2020 and 2019, respectively. The increase in 2020 is primarily attributable to an increase in cash and cash equivalents of $306,146,000 partially offset by a decrease in short-term investments of $63,759,000. The increase in cash and cash equivalents is driven primarily by an increase in construction funds, which was impacted by the timing of the debt issuance and construction spending, a gift received for building a new academic and medical center in Indianapolis, and tactical changes to the allocation of financial assets in part related to uncertainties brought by the pandemic. The increase in 2019 is primarily attributable to an increase in cash and cash equivalents of $44,938,000 and short-term investments of $22,846,000. 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.

Noncurrent Assets

Major components of noncurrent assets are capital assets, net of accumulated depreciation, and endowment and operating investments. Noncurrent assets increased $169,581,000, or 3%, and increased $58,735,000, or 1%, in 2020 and 2019, respectively. The increase in 2020 is primarily attributable to an increase in capital assets of $177,559,000 partially offset by a decrease in long-term investments of $2,854,000. The increase in 2019 is primarily attributable to an increase in capital assets of $76,378,000, partially offset by a decrease in long-term investments of $10,673,000.

Capital Assets

The university's investment in capital assets, net of depreciation, which includes land, art and museum objects, infrastructure, equipment, and buildings, grew $177,559,000, or 5%, and $76,378,000, or 2%, in 2020 and 2019, 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. Such facilities 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.

Elimination of the university's deferred maintenance backlog on all campuses was a key component of the university's bicentennial plan. Much of the university's deferred maintenance totaling over $1 billion has been


Arthur R. Metz Bicentennial Grand Carillon
Arboretum; Bloomington

addressed through an intensive institutional commitment over the past decade. Long-term management of repair and rehabilitation projects must continue to ensure safe, effective, and efficient learning and work environments for students, faculty, and staff in the years to come. Funded by the State's formula repair and rehabilitation appropriation and IU student fees; Indiana University continues to address repairs or replacements of building exteriors, roofs, windows, electrical, plumbing, elevators, mechanical systems, interior construction, and utilities.

Total capitalized cost for the projects listed below was $158,000,000. The systematic renovation of the buildings comprising the Bloomington campus core, known as the Old Crescent, continues with the Old Crescent Renovation—Phase III project, which focuses on Ballantine Hall and Geological Sciences. This project was funded by fee-replaced bonds. Due to the size of these facilities (both are among the largest and most heavily used buildings on campus), renovations are being completed in phases over a two-year period. This phasing allowed sections of the buildings to remain in use while other sections were under construction. The first phase of work at Geological Sciences and both phases of work at Ballantine were completed in fiscal year 2020.

The second phase for Geological Sciences will be complete for spring semester 2021. Ballantine received new energy-efficient building systems including plumbing, heating and air conditioning, electrical, and elevators, as well as roofs, windows, and accessibility upgrades. Classrooms were also updated with new technologies. Geological Sciences is undergoing similar work, with new mechanical, electrical, laboratory, and lighting systems, as well as fire protection, windows, and network connectivity. Classrooms and restrooms are being refurbished, student breakout spaces created, and building accessibility improved.

Also on the Bloomington campus, renovations of three residence hall complexes were completed in accordance with the university's long-term housing plan. McNutt Quadrangle, Foster Quadrangle, and Teter Quadrangle all opened for fall semester 2020, after having received updates including new mechanical systems, fire suppression, and accessibility upgrades. Additionally, new elevators were installed at McNutt and new windows at Foster. Capacity at these three complexes totals over 3,600 beds. Foster and McNutt were funded via non-fee replaced debt. Teter was funded through residential programs and services funds.

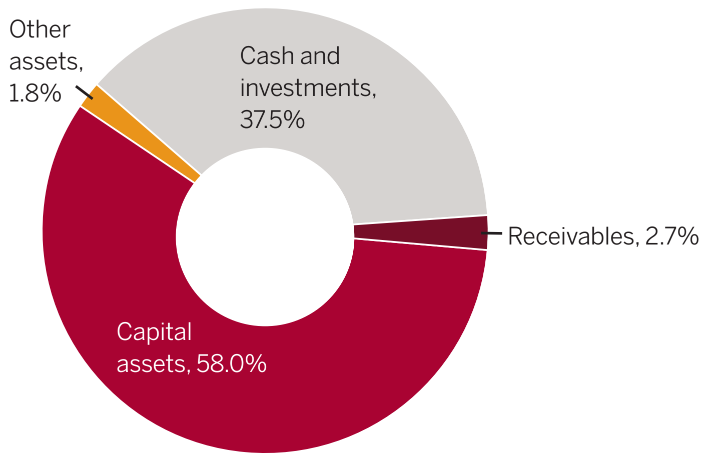
At the Northwest campus in Gary, as part of the university's continuing plan to reduce deferred maintenance on its regional campuses through successive phased projects, the John W. Anderson Library and Conference Center received new mechanical systems and interior renovations, including installation of fire sprinklers in public areas and new lighting. This project was funded by State of Indiana appropriations.

One of the most iconic projects of the university's bicentennial was the renovation and relocation of the Metz Carillon on the Bloomington campus. The carillon's previous location at the northern edge of campus was not practical for audience attendance and the tower was in need of extensive repair. A new tower was designed and constructed in the heart of campus at the Cox Arboretum on Tenth Street. The instrument's bells also were refurbished and four new bells were forged, bringing the total number of bells to 65 and making the carillon a grand carillon, one of fewer than 30 in the world and one of only a handful nationwide. The Metz Bicentennial Grand Carillon rang for the first time on January 20, 2020—the date on which the Indiana Seminary, later to become Indiana University, was founded in 1820. Regular concerts and recitals are now being given by the IU Jacobs School of Music, and the school also will invite distinguished carillonneurs from around the world to perform on the instrument. Upon approval of the project by the Indiana University Board of Trustees, IU's President Michael A. McRobbie said, "I am delighted that this superb instrument will once again become a central part of musical life on the IU campus. It will open up a whole new area of music where our students, faculty, staff, and visitors will have a wonderful new opportunity to experience the renown of our talented Jacobs School of Music faculty and students." This project was funded by private gifts.

The following table and chart represent the composition of total assets as of June 30, 2020:

Total Assets *(in thousands of dollars)*			
Cash and investments	$	2,285,496	37.5%
Receivables		165,460	2.7%
Capital assets		3,532,546	58.0%
Other assets		109,136	1.8%
Total assets	**$**	**6,092,638**	**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 will not be recognized as expenses or expenditures until then. Certain changes in resources related to the net pension liability (see Note 11, Retirement Plans) and the OPEB liability (see Note 12, 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, compensated absences, unearned revenue, current portion of long-term debt and other obligations, current portion of postemployment benefits liability, and current portion of capital lease obligations.

Current liabilities increased $11,439,000, or 2%, and $16,163,000, or 4%, in 2020 and 2019, respectively. The increase in 2020 is primarily attributable to increases in current portion of unearned revenue of $26,305,000 and accounts payable and accrued liabilities of $21,428,000. These were partially offset by a decrease in the current portion of long-term debt and other obligations of $30,441,000 and decrease in current portion of total other postemployment benefit obligations of $5,816,000. Accounts payable and accrued liabilities increase is driven primarily by timing of receipt of invoices. The decrease in current portion of long-term debt and other obligations is primarily driven by a decrease in commercial paper notes outstanding. 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. These were partially offset by a decrease in the current portion of unearned revenue of $16,132,000. The changes in the current portion of unearned revenue in both 2020 and 2019 relate to the timing of sponsored grant spending for which receipts were received in advance of related expenditures.

Noncurrent Liabilities

Noncurrent liabilities increased $198,744,000, or 14%, and decreased $24,787,000, or 2%, in 2020 and 2019, respectively. The increase in 2020 is primarily attributable to an increase in bonds and notes payable of $216,055,000 due primarily to issuance of debt during fiscal 2020 (See Debt and Financing Activity section below for additional information). The decrease in 2019 is primarily attributable to a decrease in net pension liability of $23,490,000 and a decrease in total other postemployment benefit obligations of $10,181,000, partially offset by an increase in bonds payable of $12,310,000.

Debt and Financing Activities

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 $1,247,223,000 and $1,062,244,000 at June 30, 2020, and 2019, respectively (See Note 7, Other Liabilities).

The university had the following debt and financing activity related to bonds and notes occur within fiscal year ended June 30, 2020 (See Note 8, Bonds and Notes Payable and Other Obligations). Additionally, the university has an unused operating line of credit in the amount of $600,000,000.

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 for repayment of commercial paper. 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.

On March 3, 2020, the university issued fixed-rate Consolidated Revenue Bonds, Series 2020A ("CRB 2020A") with a par amount of $51,175,000 as current refunding bonds and Consolidated Revenue Bonds, Series 2020B ("CRB 2020B") with a par amount of $221,810,000, which included new money bonds of $155,825,000, the refinancing of Commercial Paper Notes Series 2018A, and advance refunding bonds of $65,985,000. The CRB 2020B new money proceeds were used to finance the construction of the North Housing Addition and the renovation of the Foster and McNutt Quadrangles on the Bloomington campus. The CRB 2020A proceeds were used to redeem the Consolidated Revenue Bonds, Series 2010B and Series 2011A prior to fiscal year ended June 30, 2020. A portion of the Consolidated Revenue Bonds, Series 2020B proceeds were used to partially defease Consolidated Revenue Bonds, Series 2012A. The CRB 2020A and CRB 2020B proceeds were also used to pay costs to issue the bonds, including underwriters' discount. The all-in true interest cost for CRB 2020A and CRB 2020B was 1.73% and 2.41%, respectively. The CRB 2020A refunding bonds produced a net present value savings of $10,070,000, which was 15.70% of refunded par bonds. The CRB 2020B refunding bonds produced a net present value savings of $9,497,000, which was 15.55% of refunded par bonds.

On March 10, 2020, the university issued fixed-rate Lease Purchase Obligations, Series 2020A ("LPO 2020A") with a total par amount of $79,545,000 and Lease Purchase Obligations, Series 2020B ("LPO 2020B") with a par amount of $28,810,000. LPO 2020A included new money bonds of $69,250,000 and current refunding bonds of $10,295,000. LPO 2020A new money proceeds were used to finance the construction of the Academic Health Sciences Building and Wilkinson Hall on the Bloomington campus, Innovation Hall on the IUPUI campus, and refinance Commercial Paper Notes Series 2018A and Commercial Paper Notes Taxable Series 2019A. The LPO 2020A proceeds were used to redeem the Certificates of Participation, Series 2009B prior to fiscal year ended June 30, 2020. LPO 2020B consisted of advance refunding bonds and its proceeds were used to partially defease both the Certificates of Participation, Series 2012A and Lease Purchase Obligations, Series 2014A. The LPO 2020A and LPO 2020B proceeds were also used to pay costs to issue the bonds, including underwriters' discount. The all-in true interest cost for LPO 2020A and LPO 2020B was 2.53% and 2.34%, respectively. The LPO 2020A refunding bonds produced a net present value savings of $1,476,000, which was 11.85% of refunded par bonds. The LPO 2020B refunding bonds produced a net present value savings of $2,676,000, which was 10.23% of refunded par bonds.

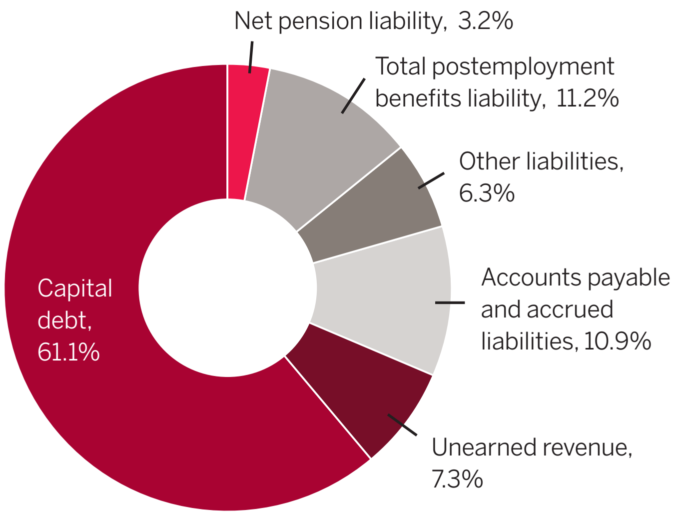
On June 24, 2020, the university issued fixed-rate new money Student Fee Bonds Series Z-1 ("Series Z-1") with a par amount of $81,265,000, which included new money bonds of $50,705,000 and current refunding bonds of $30,560,000, and Student Fee Bonds Series Z-2 ("Series Z-2") with a par amount of $18,595,000 as advance refunding bonds. The Series Z-1 new money proceeds were used to finance the Bicentennial Repair and Renovation Plan project, including the renovation and remodeling of the Glenn A. Black Laboratory of Archaeology, the Mathers Museum of World Cultures, and the McCalla School on the Bloomington Campus and renovations to the Health Sciences, Dunlap Drug Discovery Lab, Bryce, and Ott buildings on the IUPUI campus. The Series Z-1 proceeds were also used to refund a portion of Student Fee Bonds Series T-2, and the Series Z-2 proceeds were used to partially defease Series V-1. The proceeds were also used to pay costs to issue the bonds, including underwriters' discount. The all-in true interest cost for Series Z-1 and Series Z-2 was 1.23% and 1.03%, respectively. The Series Z-1 refunding bonds produced a net present value savings of $5,810,000, which was 16.25% of refunded par bonds. The Series Z-2 refunding bonds produced a net present value savings of $1,163,000, which was 7.05% of refunded par bonds.

On May 27, 2020, 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 May 27, 2020. The university's outlook under Moody's Investors Service is stable. On May 27, 2020, S&P Global Ratings rated the university's most recent student fee bonds as "AAA." On the May 27, 2020 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, 2020:

Total Liabilities *(in thousands of dollars)*			
Accounts payable and accrued liabilities	$	222,072	10.9%
Unearned revenue		148,461	7.3%
Capital debt		1,247,223	61.1%
Net pension liability		65,254	3.2%
Total postemployment benefits liability		229,203	11.2%
Other liabilities		130,137	6.3%
Total liabilities	**$**	**2,042,350**	**100.0%**

Total Liabilities



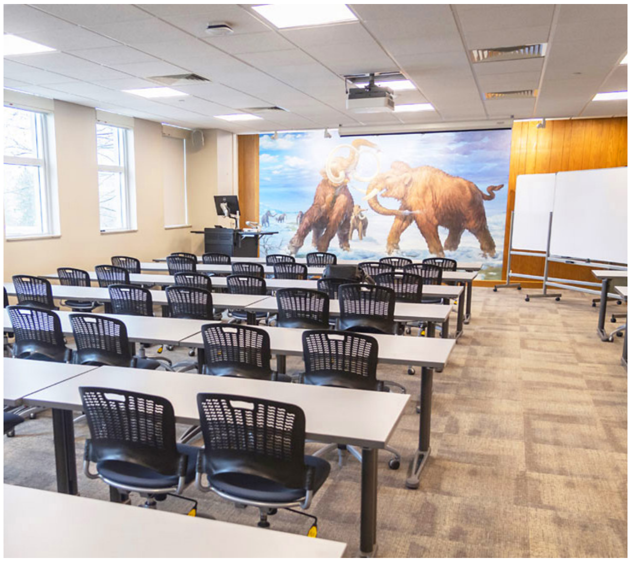
Deferred Inflows of Resources

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 will not be recognized as revenue until then. The amounts recorded are related to the net pension liability (see Note 11, Retirement Plans) and the OPEB liability (see Note 12, 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.

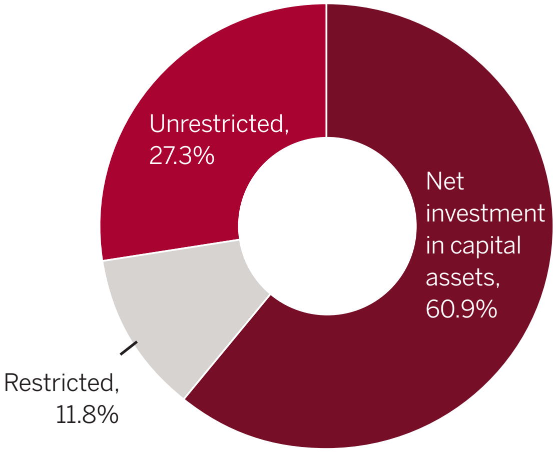


Classroom
Geology Building; Bloomington

The following table and chart represent the composition of net position as of June 30, 2020:

Total Net Position *(in thousands of dollars)*			
Net investment in capital assets	$	2,487,799	60.9%
Restricted		480,321	11.8%
Unrestricted		1,117,918	27.3%
Total net position	**$**	**4,086,038**	**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 $96,687,000, or 4%, and $71,012,000, or 3%, in 2020 and 2019, 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 $183,235,000, or 62%, and increased $10,566,000, or 4%, in 2020 and 2019, respectively. Variances in both years are due in part to fluctuations in spending of bond proceeds, which impact the capital projects component of restricted net position.

In addition, during fiscal 2020, the university received a gift for building a new academic and medical center in Indianapolis.

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 decreased $86,440,000, or 7%, and increased $28,839,000, or 2%, in 2020 and 2019, respectively.

Net position increased $193,482,000, or 5%, in 2020 and increased $110,417,000, or 3%, in 2019. Net position at June 30, 2020, was $4,086,038,000.

Statement of Revenues, Expenses, and Changes in Net Position

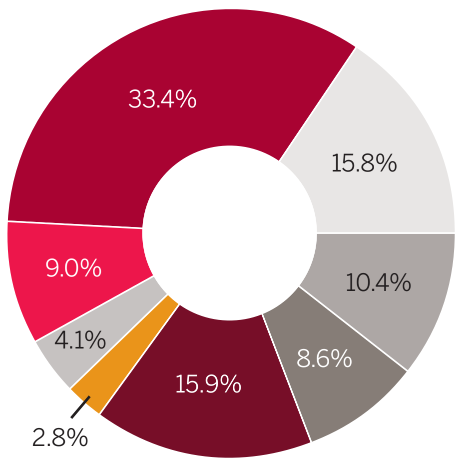
Revenues and expenses are classified as either operating or nonoperating in accordance with GASB principles for classification into these categories. Trends in the relationship between operating revenues and expenses are important indicators of financial condition. Generally, operating revenues are received 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)

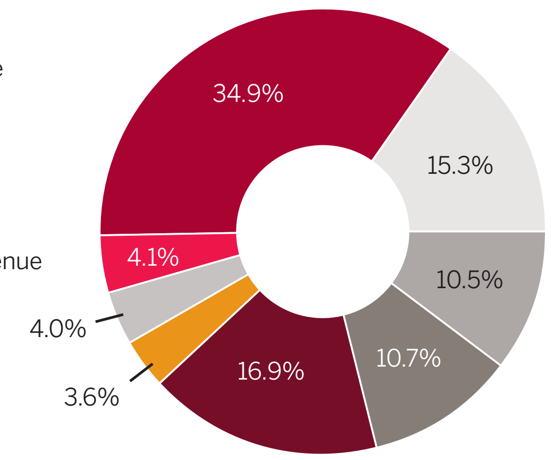
	Fiscal Year Ended		
	June 30, 2020	*June 30, 2019*	*June 30, 2018*
Operating revenues	$ 2,523,577	$ 2,462,476	$ 2,385,536
Operating expenses	(3,474,955)	(3,304,476)	(3,175,110)
Total operating loss	**(951,378)**	**(842,000)**	**(789,574)**
Nonoperating revenues	998,964	954,023	865,526
Nonoperating expenses	(30,744)	(33,948)	(31,679)
Income before other revenues, expenses, gains, or losses	**16,842**	**78,075**	**44,273**
Other revenues	176,640	32,342	68,281
Increase in net position	**193,482**	**110,417**	**112,554**
Net position, beginning of year	3,892,556	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	**$ 4,086,038**	**$ 3,892,556**	**$ 3,782,139**

Revenues 2020



Student fees, net
Grants and contracts
Other operating revenue
Auxiliary enterprises
State appropriations
Investment income
Gifts
Other nonoperating revenue

Revenues 2019



Operating revenues increased $61,101,000, or 2%, and $76,940,000, or 3%, during 2020 and 2019, 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, increased $30,068,000 and decreased $712,000 during 2020 and 2019, respectively. Tuition and fee revenue is affected by a combination of changes in tuition rates, enrollment, and the mix of student levels and residency. 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. Resident undergraduate tuition and fee rates increased by 2.5% across all campuses for the 2019–2020 academic year. 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 $58,486,000, or 11%, in 2020 and $45,507,000, or 9%, in 2019. Other revenue, including hospital and practice plan support for School of Medicine research and other initiatives, increased $17,627,000 and $36,660,000 in 2020 and 2019, respectively.

Operating expenses increased $170,479,000, or 5%, and $129,366,000, or 4%, in 2020 and 2019, respectively (See Note 14, 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 $95,947,000, or 5%, and $74,128,000, or 4%, in 2020 and 2019, respectively. University benefit plans play an important role in attracting and retaining employees and the university has implemented initiatives in recent

Roof Plaza
Ballantine Hall; Bloomington

years to control costs without compromising the competitiveness of the benefit package. The university closely monitors benefit plan costs, trends, and benchmarks and implements changes annually to keep plan structures competitive and cost effective. 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 2020.

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 $33,779,000, or 7%, and totaled $493,664,000 in 2020. The increase in 2020 was primarily attributable to the CARES Act aid of approximately $29,163,000, which was added to the amount reported as scholarships and fellowships expense. Energy and utilities expense was essentially flat when comparing 2020 to 2019. Supplies and general expense increased $59,315,000, or 8%, and $48,441,000, or 7%, in 2020 and 2019, respectively. In addition to payment timing differences, the increase in 2020 and 2019 was spread across research, academic, and capital facilities functions.

Nonoperating revenues, net of interest expense, increased $48,145,000, or 5%, and increased $86,228,000, or 10%, in 2020 and 2019, respectively. Grants, contracts, and other awards, increased $46,630,000, or 43%, and increased $1,356,000, or 1%, in 2020 and 2019, respectively. The increase in 2020 was primarily due to CARES Act Higher Education Emergency Relief Funding (HEERF). This funding included funds to provide emergency grants to students and to provide institutional relief for disruptions on campus caused by COVID-19. 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 $589,746,000 in 2020 and $582,403,000 in 2019, and is the university's second largest revenue source, after tuition and fees. Investment income decreased $22,545,000 and increased $81,133,000 in 2020 and 2019, respectively. In 2020, fixed income allocation added the most to performance, as investment managers benefitted in a risk-off environment and from market fluctuations. Operating funds produced comparable investment results in 2020 and 2019; however, lower returns of endowment funds drove the decrease in investment income in 2020. Improved performance in 2019 was led by a steep rise in unrealized gains. Decreasing government interest rates and corporate credit spreads, as well as rising equity markets, all contributed to an increase in unrealized gains in 2019. The university's operating funds' investments yielded a 6.40% return, net of fees, in 2019. Improved fixed income performance in 2019 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 university recognized $20,036,000 and $20,047,000 in capital appropriations for repairs, renovations, and improvements across all campuses in 2020 and 2019, respectively. Capital gifts and grants increased $142,357,000 due primarily to a gift received in fiscal 2020 for building a new academic and medical center in Indianapolis. Revenue recognized as capital appropriations and capital gifts and grants fluctuates according to availability of capital appropriations and 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, 2020	*June 30, 2019*	*June 30, 2018*
Net cash provided (used) by:			
Operating activities	$ (759,792)	$ (689,802)	$ (616,202)
Noncapital financing activities	909,634	828,397	821,232
Capital and related financing activities	(13,236)	(207,257)	(308,597)
Investing activities	169,540	113,600	100,096
Net increase (decrease) in cash and cash equivalents	**306,146**	**44,938**	**(3,471)**
Beginning cash and cash equivalents	268,926	223,988	227,459
Ending cash and cash equivalents	**$ 575,072**	**$ 268,926**	**$ 223,988**

The university's cash and cash equivalents increased $306,146,000 and increased $44,938,000 in 2020 and 2019, 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

Unlike the three previous years, state general fund revenues for fiscal year 2020 did not meet forecasted collections nor prior year collections. State revenues for 2020 were $1,416,300,000, or 8.4% below forecast and $1,031,700,000, or 6.3% below fiscal year 2019 collections. Sales tax collections, the largest single state tax revenue source, was the only "Big 3" source that experienced growth over the previous fiscal year at 1.6% over fiscal year 2019. However, sales tax revenue did not hit estimated targets. Individual income tax collections fell by 13.0% compared to 2019. Rounding out the state's "Big 3" tax revenues, corporate income tax collections also declined by $257,500,000, or 27.1% below fiscal year 2019. Despite an annual deficit of nearly $900,000,000, the State was able to maintain reserve balances equal to $1,418,900,000 as of June 30, 2020, or 8.6% of fiscal year 2020 general fund appropriations (down from 13.9%).

Looking ahead to fiscal year 2021, the financial implications related to the ongoing coronavirus pandemic make for an extremely unpredictable fiscal environment.

Indiana's unemployment rate was 3.4%, compared to 3.7% nationally, at the beginning of fiscal 2020 in July 2019, and at the end of the fiscal year in June 2020, the unemployment rate rose to 11.2%, compared to 11.1% nationally. In conclusion, the pandemic caused an unexpected and unprecedented financial hit to the State's and the Nation's economy. Finally, Indiana's tradition of conservative and effective fiscal management will serve the state well as we move forward in this time of uncertainty.

(in thousands of dollars)	June 30, 2020	June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 575,072	$ 268,926
Accounts receivable, net	165,460	136,628
Current portion of notes and pledges receivable	12,329	12,780
Short-term investments	95,966	159,725
Other assets	54,066	65,350
Total current assets	**902,893**	**643,409**
Noncurrent assets		
Notes and pledges receivable	42,742	47,866
Investments	1,614,457	1,617,311
Capital assets, net	3,532,546	3,354,987
Total noncurrent assets	**5,189,745**	**5,020,164**
Total assets	**6,092,638**	**5,663,573**
Deferred outflows of resources	**80,225**	**88,336**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	222,072	200,644
Unearned revenue	120,765	94,460
Current portion of capital lease obligations	1,900	1,937
Current portion of long-term debt and other obligations	98,108	128,549
Current portion of total other postemployment benefit obligations	27,640	33,456
Total current liabilities	**470,485**	**459,046**
Noncurrent liabilities		
Capital lease obligations	1,202	1,800
Notes payable	248,150	173,141
Assets held in custody for others	59,894	73,885
Unearned revenue	27,696	47,156
Bonds payable	897,863	756,817
Net pension liability	65,254	68,576
Total other postemployment benefit obligations	201,563	221,173
Other long-term liabilities	70,243	30,573
Total noncurrent liabilities	**1,571,865**	**1,373,121**
Total liabilities	**2,042,350**	**1,832,167**
Deferred inflows of resources	**44,475**	**27,186**
Net Position		
Net investment in capital assets	2,487,799	2,391,112
Restricted for:		
Nonexpendable - endowments	60,925	58,984
Expendable		
Scholarships, research, instruction, and other	143,951	122,944
Loans	20,832	20,647
Capital projects	237,439	77,539
Debt service	17,174	16,972
Unrestricted	1,117,918	1,204,358
Total net position	**$ 4,086,038**	**$ 3,892,556**

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

Indiana University Foundation

Statements of Financial Position
June 30, 2020 and 2019
(In thousands)

	2020	2019
Assets		
Cash and cash equivalents	$ **40,888**	$ 43,505
Collateral under securities lending agreement	**50,203**	98,251
Receivables	**18,510**	19,123
Due from brokers	**54,788**	67,499
Promises to give, net	**284,727**	251,707
Investments and other assets	**2,598,610**	2,677,524
Property, plant and equipment, net	**57,451**	58,327
Total assets	$ **3,105,177**	$ 3,215,936
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other	$ **6,197**	$ 6,194
Due to brokers	**55,454**	76,873
Collateral under securities lending agreement	**50,203**	98,251
Split interest agreement obligations	**41,578**	42,633
Assets held for the University	**227,908**	240,662
Assets held for University affiliates	**30,733**	42,461
Total liabilities	**412,073**	507,074
Net assets:		
Without donor restrictions	**99,993**	96,808
With donor restrictions	**2,593,111**	2,612,054
Total net assets	**2,693,104**	2,708,862
Total liabilities and net assets	$ **3,105,177**	$ 3,215,936

See notes to financial statements.

INDIANA UNIVERSITY FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(in thousands of dollars)	Fiscal Year Ended June 30, 2020	June 30, 2019
Operating revenues		
Tuition and fees	$1,547,225	$1,514,263
Less scholarship allowance	(313,068)	(310,174)
Federal grants and contracts	398,761	359,055
State and local grants and contracts	18,102	20,875
Nongovernmental grants and contracts	169,254	147,701
Sales and services of educational units	30,768	26,962
Other revenue	353,611	335,984
Auxiliary enterprises (net of scholarship allowance of $40,130 in 2020 and $42,536 in 2019)	318,924	367,810
Total operating revenues	**2,523,577**	**2,462,476**
Operating expenses		
Compensation and benefits	2,244,665	2,148,718
Student financial aid	180,596	149,711
Energy and utilities	72,106	76,074
Travel	46,632	61,764
Supplies and general expense	762,827	703,512
Depreciation and amortization expense	168,129	164,697
Total operating expenses	**3,474,955**	**3,304,476**
Total operating loss	**(951,378)**	**(842,000)**
Nonoperating revenues (expenses)		
State appropriations	589,746	582,403
Grants and contracts	155,014	108,384
Investment income	102,199	124,744
Gifts	152,005	138,492
Interest expense	(30,744)	(33,948)
Net nonoperating revenues	**968,220**	**920,075**
Income before other revenues, expenses, gains, or losses	**16,842**	**78,075**
Capital appropriations	20,036	20,047
Capital gifts and grants	154,599	12,242
Additions to permanent endowments	2,005	53
Total other revenues	**176,640**	**32,342**
Increase in net position	**193,482**	**110,417**
Net position, beginning of year	3,892,556	3,782,139
Net position, end of year	**$4,086,038**	**$3,892,556**

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

Indiana University Foundation

Statement of Activities
Year Ended June 30, 2020
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	$ 2,465	$ 202,610	$ 205,075
Investment income (loss), net	7,132	(48,949)	(41,817)
Management/administrative fees	23,234	(19,964)	3,270
Grants	-	6,267	6,267
Other income	10,025	10,814	20,839
Development service fees from the University	4,416	-	4,416
Change in value of split interest agreements	(263)	(502)	(765)
Net assets released from restrictions	169,219	(169,219)	-
Total support and other revenue	216,228	(18,943)	197,285
Expenses:			
Grants and aid to the University	175,212	-	175,212
Management and general	15,792	-	15,792
Fundraising	22,039	-	22,039
Total expenses	213,043	-	213,043
Change in net assets	3,185	(18,943)	(15,758)
Net assets, beginning of year	96,808	2,612,054	2,708,862
Net assets, end of year	$ 99,993	$ 2,593,111	$ 2,693,104

See notes to financial statements.

(in thousands of dollars)	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Cash Flows from Operating Activities		
Student fees	$ 1,245,949	$ 1,200,569
Grants and contracts	571,507	525,580
Sales and services of educational activities	22,004	24,201
Auxiliary enterprise charges	325,263	370,794
Other operating receipts	319,534	332,108
Payments to employees	(2,236,876)	(2,157,841)
Payments to suppliers	(829,200)	(844,196)
Student financial aid	(185,226)	(149,960)
Student loans collected	12,658	13,577
Student loans issued	(5,405)	(4,634)
Net cash used in operating activities	**(759,792)**	**(689,802)**
Cash Flows from Noncapital Financing Activities		
State appropriations	590,105	582,044
Nonoperating grants and contracts	167,718	108,384
Gifts and grants received for other than capital purposes	151,830	137,926
Direct lending receipts	498,815	499,600
Direct lending payments	(498,834)	(499,557)
Net cash provided by noncapital financing activities	**909,634**	**828,397**
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	20,036	20,047
Capital grants and gifts received	152,990	7,352
Purchase of capital assets	(342,271)	(238,323)
Proceeds from issuance of capital debt, including refunding and other long term obligations	277,649	115,805
Principal payments on capital debt	(64,835)	(65,955)
Principal paid on capital leases	(2,543)	(2,736)
Interest paid on capital debt and leases	(54,262)	(43,447)
Net cash used in capital and related financing activities	**(13,236)**	**(207,257)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	4,248,235	8,553,704
Investment income	45,456	52,787
Purchase of investments	(4,124,151)	(8,492,891)
Net cash provided by investing activities	**169,540**	**113,600**
Net increase in cash and cash equivalents	**306,146**	**44,938**
Cash and cash equivalents, beginning of year	268,926	223,988
Cash and cash equivalents, end of year	**$ 575,072**	**$ 268,926**

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, 2020	**June 30, 2019**
Operating loss	$ (951,378)	$ (842,000)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	168,129	164,697
Loss on disposal of capital assets	1,443	1,470
Changes in assets and liabilities:		
Accounts receivable	(29,418)	(2,301)
Other assets	11,283	(6,530)
Notes receivable	5,575	7,861
Accounts payable and accrued liabilities	22,464	3,340
Unearned revenue	(5,859)	(6,364)
Assets held in custody for others	(13,991)	(157)
Net pension liability and related deferreds	48	(2,623)
Postemployment benefits liability and related deferreds	(8,113)	(4,547)
Other noncurrent liabilities	40,025	(2,648)
Net cash used in operating activities	**$ (759,792)**	**$ (689,802)**

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

Landmark gate
Dunn Street and Indiana 45/46 Bypass; Bloomington

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"), comprises 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-sponsored institution and is classified as exempt from federal income tax as an integral part of the State of Indiana. 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 2020 and 2019 represent the fiscal year ended June 30, 2020 and 2019, 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. 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 $168,606,000 and $170,744,000 to the university during fiscal years 2020 and 2019, respectively. Complete financial statements for the IU Foundation can be obtained from: Indiana University Foundation, Attn: Controller, 1500 N. State Road 46 Bypass, Bloomington, IN 47408.

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 includes 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 estimated acquisition 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 improvements. 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 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, 2020*	*June 30, 2019*
Accumulated deferred charges on refundings of capital debt	$ 11,553	$ 16,270
Net pension liability under GASB No. 68, *Accounting and Financial Reporting for Pensions*	12,650	18,411
Total OPEB liability under GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	56,022	53,655
Total deferred outflows of resources	**$ 80,225**	**$ 88,336**

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 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, 2020*	*June 30, 2019*
Net pension liability under GASB No. 68, *Accounting and Financial Reporting for Pensions*	$ 12,316	$ 14,708
Total OPEB liability under GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	32,159	12,478
Total deferred inflows of resources	**$ 44,475**	**$ 27,186**

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.
- *Nonoperating revenues and expenses:* Nonoperating revenues and expenses include those derived from non-exchange transactions such as gifts, certain federal and state grants, and interest expense. Nonoperating 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, 2020, the university adopted GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

The university will be required to implement the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ending June 30, 2021. This GASB Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The university is in the process of determining the full impact of this standard on its financial statements.

The university will be required to implement the provisions of GASB Statement No. 87, *Leases*, effective for the fiscal year ending June 30, 2022. This GASB Statement intends to improve accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The university is in the process of determining the full impact of this standard on its 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

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, 2020 and 2019, the university had deposits and investments, including endowment funds, as shown below:

(dollar amounts presented in thousands)

	June 30, 2020	*June 30, 2019*
Cash and cash equivalents	$ 575,072	$ 268,926
Short-term investments	95,966	159,725
Investments	1,614,457	1,617,311
Total deposits and investments	**$ 2,285,495**	**$ 2,045,962**

CUSTODIAL CREDIT RISK–DEPOSITS: The combined bank balances of the university's demand deposits were $22,222,000 and $39,511,000 with balances subject to custodial credit risk in the amount of $10,836,000 and $6,252,000 at June 30, 2020 and 2019, respectively. Of this amount, $1,562,000 and $4,249,000 was uninsured and uncollateralized and $9,274,000 and $2,003,000 was uninsured and collateralized with securities held by the pledging financial institution at June 30, 2020 and 2019, 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.

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 $1,217,000 and $2,330,000 exposed to custodial credit risk at June 30, 2020 and 2019, respectively. The university had $13,106,000 and $15,160,000 where custodial credit risk could not be determined at June 30, 2020 and 2019, 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.

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, 2020:

(dollar amounts presented in thousands)

	Fair Value	*Maturities (in years)*			
Deposit and Investment Type	*June 30, 2020*	*Less than 1*	*1–5*	*6-10*	*More than 10*
Corporate bonds	$ 381,458	$ 62,713	$ 146,382	$ 110,224	$ 62,139
Government bonds	164,605	11,744	53,283	52,130	47,448
Government issued asset-backed securities	153,491	1,141	8,438	13,921	129,991
Asset-backed securities	120,545	1,773	43,721	11,932	63,119
Other fixed income funds	61,431	-	7,285	3,908	50,238
Total	**881,530**	**$ 77,371**	**$ 259,109**	**$ 192,115**	**$ 352,935**
Deposits and investments not subject to interest rate risk:					
Money market funds	483,967				
U.S. equities	422,168				
External investment pools	234,000				
International equities	145,937				
All other	117,893				
Total deposits and investments	**$ 2,285,495**				

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**				

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, 2020 are shown below:

(dollar amounts presented in thousands)

Investment Type	*Fair Value*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Below BB*	*Not Rated*
Corporate bonds	$ 381,458	$ 3,227	$ 23,019	$116,367	$190,562	$ 38,027	$ 8,457	$ 1,799
Government bonds	164,605	2,881	124,983	5,607	12,683	2,256	11,102	5,093
Asset-backed securities	120,545	81,089	6,085	5,145	5,653	163	6,855	15,555
Government issued asset-backed securities	153,491	437	735	-	1,080	-	151,239	-
Other fixed income funds	61,430	-	-	-	1,041	3,658	6,146	50,585
Money market funds	483,967	483,964	-	-	-	-	-	3
External investment pools	234,000	-	-	-	-	-	-	234,000
Total	**1,599,496**	**$571,598**	**$154,822**	**$127,119**	**$211,019**	**$44,104**	**$183,799**	**$307,035**
Percentage subject to credit risk		**35.74%**	**9.68%**	**7.95%**	**13.19%**	**2.76%**	**11.49%**	**19.19%**
Not subject to credit risk	685,999							
Total deposits and investments	**$ 2,285,495**							

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)

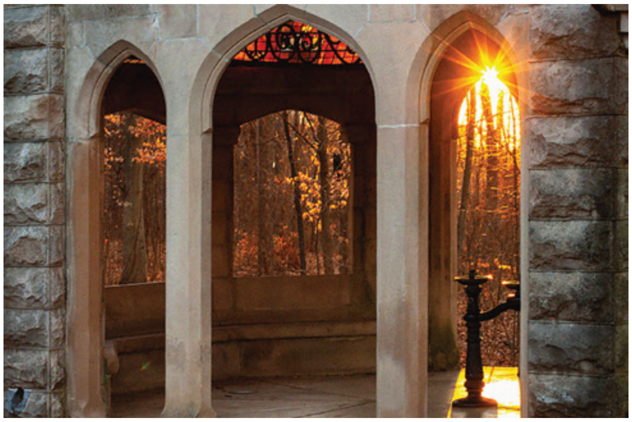
Investment Type	*Fair Value*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Below BB*	*Not Rated*
Corporate bonds	$ 303,553	$ 1,851	$ 17,657	$ 101,917	$ 134,822	$ 33,999	$ 9,933	$ 3,374
Government bonds	211,912	6,001	164,452	17,226	6,768	8,004	6,201	3,260
Asset-backed securities	178,447	121,037	9,375	7,649	8,313	2,248	8,083	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**							

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, 2020 and 2019, 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-restricted endowments that are available for expenditure are $33,008,000 and $39,685,000 as of June 30, 2020 and 2019, 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, 2020, 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.



Rose Well House
Old Crescent; Bloomington

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 the lesser of $75,000,000 or 20% of the portfolio.

Note 3—Fair Value Measurements

The fair value 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, 2020:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2020	*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	$ 370,221	$ –	$ 368,191	$ 2,030
Collateralized obligations and mortgage-backed securities	274,264	–	274,165	99
Government bonds	152,652	–	152,638	14
Commingled funds	50,238	41,681	–	8,557
Inflation index linked notes	17,257	–	17,257	–
Bank loans	11,193	–	11,193	–
Municipal and provincial bonds	2,863	–	2,863	–
Total debt securities	**878,688**	**41,681**	**826,307**	**10,700**
Equity securities	568,106	568,106	–	–
External investment pool	234,000	–	–	234,000
Real estate	6,269	–	–	6,269
All other	23,023	–	23,023	–
Total investments by fair value level	**1,710,086**	**$ 609,787**	**$ 849,330**	**$ 250,969**
Investments measured at the net asset value (NAV):				
Venture capital	337			
Total investments measured at the NAV	**337**			
Total investments measured at fair value	**$ 1,710,423**			

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

(dollar amounts presented in thousands)

	June 30, 2019	Fair Value Measurements Using: 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
Commingled funds	26,484	22,088	–	4,396
Government bonds	209,514	–	209,498	16
Inflation index linked notes	25,780	–	18,557	7,223
Bank loans	13,194	–	13,194	–
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**			

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, 2020 and 2019, are valued using unadjusted quoted prices in active markets for those securities.

The fair value of debt securities at June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, are valued using unadjusted quoted prices in active markets for those securities.

The fair value of external investment pools at June 30, 2020 and 2019, 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 $227,091,000 and $239,900,000 respectively at June 30, 2020 and 2019, was held at the IU Foundation. The fair value hierarchy of the foundation's investments can be found in Note 16, 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, 2020 and 2019.

The fair value of all other investments at June 30, 2020 and 2019, are determined primarily based on Level 2 inputs. The university estimates the fair value of these investments using observable, market-based inputs.

The university held shares or interests in commingled bond funds at June 30, 2019 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.

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, 2020 and 2019. 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, 2020 and 2019:

(dollar amounts presented in thousands)

	June 30, 2020	*June 30, 2019*
Student accounts	$ 58,451	$ 50,637
Auxiliary enterprises and other operating activities	86,563	64,590
Federal, state, and other grants and contracts	18,159	18,118
Capital appropriations and gifts	1,298	3,332
Other	9,621	8,172
Current accounts receivable, gross	**174,092**	**144,849**
Less allowance for uncollectible accounts	(8,632)	(8,221)
Current accounts receivable, net	**$ 165,460**	**$ 136,628**

Note 5—Capital Assets

Fiscal year ended June 30, 2020

(dollar amounts presented in thousands)

	Balance June 30, 2019	*Additions*	*Transfers*	*Retirements*	*Balance June 30, 2020*
Assets not being depreciated:					
Land	$ 85,857	$ 1,410	$ –	$ –	$ 87,267
Art & museum objects	105,133	4,098	–	21	109,210
Construction in progress	162,099	261,654	(102,228)	11	321,514
Total capital assets not being depreciated	**353,089**	**267,162**	**(102,228)**	**32**	**517,991**
Other capital assets:					
Infrastructure	257,553	5,061	1,965	–	264,579
Intangibles	12,842	–	–	552	12,290
Land improvements	90,329	6,169	10,021	–	106,519
Equipment	500,355	31,017	15,557	17,675	529,254
Library books	150,850	4,490	–	22,670	132,670
Buildings	4,549,613	33,233	74,685	3,912	4,653,619
Total other capital assets	**5,561,542**	**79,970**	**102,228**	**44,809**	**5,698,931**
Less accumulated depreciation for:					
Infrastructure	170,339	5,675	–	–	176,014
Intangibles	11,965	380	–	407	11,938
Land improvements	38,192	4,779	–	–	42,971
Equipment	353,838	40,061	–	16,814	377,085
Library books	95,198	14,161	–	22,669	86,690
Buildings	1,890,112	103,073	–	3,507	1,989,678
Total accumulated depreciation, other capital assets	**2,559,644**	**168,129**	**–**	**43,397**	**2,684,376**
Capital assets, net	**$ 3,354,987**	**$ 179,003**	**$ –**	**$ 1,444**	**$ 3,532,546**

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**

The university incurred interest costs of $43,524,000 and $42,347,000 in fiscal years ending June 30, 2020 and 2019, respectively. Of these amounts, $5,430,000 and $3,046,000 was capitalized during the construction of capital assets in fiscal years ending June 30, 2020 and 2019, respectively.

Note 6—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2020 and 2019:

(dollar amounts presented in thousands)

	June 30, 2020	*June 30, 2019*
Accrued payroll	$ 20,296	$ 17,738
Accrual for compensated absences	42,605	48,464
Interest payable	6,928	7,965
Vendor and other payables	152,243	126,477
Total accounts payable and accrued liabilities	**$ 222,072**	**$ 200,644**

Note 7—Other Liabilities

Other liability activity for the fiscal years ended June 30, 2020 and 2019, is summarized as follows:

Fiscal year ended June 30, 2020

(dollar amounts presented in thousands)

	Balance June 30, 2019	*Additions*	*Reductions*	*Balance June 30, 2020*	*Current*
Bonds, notes, and capital leases payable:					
Bonds payable	$ 823,089	$ 225,891	$ 76,783	$ 972,197	$ 74,334
Notes payable	235,418	45,899	9,393	271,924	23,774
Capital leases payable	3,737	1,909	2,544	3,102	1,900
Total bonds, notes, and capital leases payable	**1,062,244**	**273,699**	**88,720**	**1,247,223**	**100,008**
Other liabilities:					
Unearned revenue	141,616	6,845	–	148,461	120,765
Assets held in custody for others	74,623	–	13,289	61,334	1,440
Compensated absences	78,659	27,343	15,015	90,987	42,605
Net pension liability	68,576	–	3,322	65,254	–
Total other postemployment benefit obligations	254,629	32,559	57,985	229,203	27,640
Other	378	21,839	356	21,861	–
Total other liabilities	**$ 1,680,725**	**$ 362,285**	**$ 178,687**	**$ 1,864,323**	**$ 292,458**

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 other postemployment benefit obligations	268,543	27,878	41,792	254,629	33,456
Other	804	–	426	378	–
Total other liabilities	**$ 1,688,405**	**$ 160,925**	**$ 168,605**	**$ 1,680,725**	**$ 307,604**

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, 2020, the university had serial bonds and term bonds with maturities that extend to June 1, 2060. At June 30, 2019, 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.

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. The outstanding principal balances that are eligible for fee replacement appropriations as of June 30, 2020 and 2019, are $357,990,000 and $343,280,000, 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.

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 under Indiana Code 21-33-3-5 as either Certificates of Participation or Lease Purchase Obligations (collectively, "Obligations"). 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.

Indiana Code 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 Indiana Code. 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, 2020 and 2019, 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 for repayment of commercial paper. 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, 2020, the university has no variable rate bonds outstanding.

The university has an unused operating line of credit in the amount of $600,000,000.

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 bank, or in which IUBC grants to the trustee bank a security interest, under any indenture
Commercial Paper	No pledge	Not applicable
Operating Line of Credit	No pledge	Not applicable

Sunrise from University Library
IUPUI

Science and Engineering Laboratory Building
IUPUI

The university is not party to any swap agreements. Obligations have terms related to significant events of default with finance-related consequences and subjective acceleration clauses as follows:

> Upon the happening and continuance of any event of default, the trustee bank 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 bank, 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 bank 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 bank 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 bank 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.

As of June 30, 2020, and 2019, outstanding ("O/S") indebtedness from bonds, notes, and other obligations follow, all of which are direct borrowings:

(dollar amounts presented in thousands)

Issue Type/Series	*Issue Date*	*Original Issue ($)*	*Interest Rate %*	*Final Maturity Date*	*Principal O/S June 30, 2019*	*Principal O/S June 30, 2020*
Indiana Code 21-34-6 (Bonds: Student Fee Bonds):						
T-2: CIB, Labs, Educ/Arts	4/20/10	$ 51,390	4.78	8/1/20	$ 42,280	$ 3,320
U: Neuroscience, Land Acquisition; Refunding of Series N, O and P	7/26/11	94,460	3.20-5.00	8/1/22	35,635	25,390
V-1: Energy Savings; Refunding of Series P, Q & R and Qualified Energy Savings Notes 2005, 2007 and 2008	10/26/12	60,265	5.00	8/1/22	42,270	20,410
V-2: Refunding of Series P	10/26/12	47,485	2.23	8/1/20	16,250	8,205
W-1: Franklin, Arts/Sciences	1/14/15	58,960	2.00-5.00	8/1/34	50,945	48,680
W-2: Refunding of Series R and S	1/14/15	62,765	4.00-5.00	8/1/32	62,765	58,635
X: Old Crescent II; Refunding of Series R and U	8/4/16	71,710	1.25-5.00	8/1/35	58,310	56,650
Y: Ballantine Hall, Geology	10/3/18	69,470	4.00-5.00	8/1/37	69,470	67,560
Z-1: Bicentennial R&R Plan	6/24/20	81,265	2.00-5.00	8/1/29	-	81,265
Z-2: Refunding Series T-2 and V-1	6/24/20	18,595	0.39-1.15	8/1/26	-	18,595
Subtotal Student Fee Bonds					**377,925**	**388,710**
Add unamortized bond premium					40,368	50,528
Total Student Fee Bonds					**418,293**	**439,238**
Indiana Code 21-35-3 (Bonds: Consolidated Revenue Bonds):						
2010B: Briscoe/Tulip, Gateway Garage	5/27/10	78,195	-	6/1/20	62,880	-
2011A: Riverwalk Garage	3/10/11	16,040	-	6/1/20	5,315	-
2012A: Spruce/Forest, house/dine, SELB, infrastructure; Refunding of Facility Revenue Bonds Series 2004A and Student Residence System Bonds Series 2004B	1/25/12	94,490	5.00	6/1/37	73,820	8,685
2015A: Read II, North Hall; Refunding of Facility Revenue Bonds Series 2000 and Consolidated Revenue Bonds Series 2008A and 2009A	4/1/15	146,960	3.00-5.00	6/1/42	136,195	124,155
2016A: Wells Quad; Refunding of Series 2008A, 2009A, and 2011A	4/5/16	93,070	2.75-5.00	6/1/41	91,050	90,340
2020A: Refunding of 2010B and 2011A	3/3/20	51,175	4.00-5.00	6/1/35	-	51,175
2020B: North Housing Add, Foster/McNutt; Refunding of Series 2012A	3/3/20	221,810	1.62-3.07	6/1/60	-	221,810
Subtotal Consolidated Revenue Bonds					**369,260**	**496,165**
Add unamortized bond premium					35,536	36,794
Total Consolidated Revenue Bonds					**404,796**	**532,959**
Subtotal bonds					**747,185**	**884,875**
Add unamortized bond premium					75,904	87,322
Total bonds					**823,089**	**972,197**

(dollar amounts presented in thousands)

Issue Type/Series	*Issue Date*	*Original Issue ($)*	*Interest Rate %*	*Final Maturity Date*	*Principal O/S June 30, 2019*	*Principal O/S June 30, 2020*
Indiana Code 21-33-3-5 Obligations (Notes: Certificates- Participation/Lease Purchase Obligations)						
2009B: ALF II, Cinema, Public Health Ctyd	12/17/09	$ 18,420	-	4/9/20	$ 12,990	$ -
2012A: Andy Mohr/Bart Kaufman Fields; Refunding of Certificates of Participation Series 2003A	2/9/12	23,750	3.00-4.00	12/1/22	15,750	3,220
2013A: Global & International Studies	3/8/13	22,515	3.00-5.00	6/1/33	17,815	16,885
2014A: University Hall	2/13/14	21,045	4.00-5.00	6/1/23	18,200	2,555
2015A: Simon Skjodt Assembly Hall	5/13/15	31,025	3.13-5.00	6/1/34	27,975	26,660
2017A: Mem Stad Acad, Eskenazi Museum	3/8/17	74,575	2.00-5.00	6/1/44	73,295	71,550
2020A: Wilkinson/Innovation Halls, Academic Health Sciences Bldg.; Refunding of Certificates of Participation Series 2009B	3/10/20	79,545	4.00-5.00	6/1/45	-	79,545
2020B: Refunding of Certificates of Participation Series 2012A & Lease Purchase Obligations Series 2014A	3/10/20	28,810	1.58-2.62	6/1/37	-	28,810
Subtotal Obligations					**166,025**	**229,225**
Add unamortized bond premium					15,193	29,945
Total Obligations					**181,218**	**259,170**
Indiana Code 21-32-2 (Notes: Commercial Paper)						
2018A: Parking/Office Bldg.-Fine Arts Annex; Wilkinson Hall; Golf; Foster Quad	Various	34,200	1.43, 1.55	9/4/19; 9/12/19	34,200	-
2018A: Parking/Office-Fine Arts Annex, Golf	Various	34,200	0.51	10/8/20	-	12,754
2019A: Academic Health Sciences Building	6/12/19	20,000	-	11/26/19	20,000	-
Subtotal Commercial Paper					**54,200**	**12,754**
Add unamortized bond premium					-	-
Total Commercial Paper					**54,200**	**12,754**
Subtotal notes					**220,225**	**241,979**
Add unamortized bond premium					15,193	29,945
Total notes					**235,418**	**271,924**
Subtotal bonds and notes payable and other obligations					**967,410**	**1,126,854**
Add unamortized bond premium					91,097	117,267
Total bonds and notes payable and other obligations					**$ 1,058,507**	**$ 1,244,121**

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
2021	$ 63,515	$ 9,035	$ 72,550	$ 33,987	$ 9,664	$ 43,651	$ 116,201
2022	54,350	9,435	63,785	31,754	9,266	41,020	104,805
2023	56,685	9,390	66,075	29,266	8,883	38,149	104,224
2024	51,645	9,490	61,135	27,091	8,457	35,548	96,683
2025	52,440	9,895	62,335	25,034	8,046	33,080	95,415
2026-2030	235,180	55,240	290,420	93,030	33,324	126,354	416,774
2031-2035	153,220	54,585	207,805	53,725	22,094	75,819	283,624
2036-2040	55,240	36,910	92,150	30,496	13,175	43,671	135,821
2041-2045	6,775	35,245	42,020	24,287	4,571	28,858	70,878
2046-2050	-	-	-	23,896	-	23,896	23,896
2051-2055	-	-	-	23,896	-	23,896	23,896
2056-2060	155,825	-	155,825	23,896	-	23,896	179,721
Total	**$ 884,875**	**$ 229,225**	**$ 1,114,100**	**$ 420,358**	**$ 117,480**	**$ 537,838**	**$ 1,651,938**

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. Of the debt service payments to maturity, $463,005,000 are from bonds eligible for fee replacement appropriations.

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. The university has available a $100,000,000 commercial paper program. 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.

As of June 30, 2020 and 2019, the following amounts of commercial paper outstanding, including interest rates are as follows:

(dollar amounts presented in thousands)

	June 30, 2019		June 30, 2020	
	Interest Rate %	Principal Outstanding	Interest Rate %	Principal Outstanding
Tax-exempt	1.43-1.55	$ 34,200	0.51	$ 12,754
Taxable	2.38	20,000	-	-

In prior years, the university has redeemed 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 some, but not all, interest through the call dates of the refunded bonds with the remaining interest due on the redemption date using sinking funds. United States Treasury obligations or federal agency securities have been purchased and deposited in irrevocable trusts using escrow funds in amounts sufficient to pay principal and interest payments when due, through the call dates of the defeased bonds. The redeemed bonds and the related trusts balances are not reflected within principal outstanding, total debt service, or the university's liabilities.

As of June 30, 2020 and 2019, the following amounts of principal have been redeemed:

(dollar amounts presented in thousands)

Bonds Redeemed	*Refunded O/S June 30, 2019*	*Defeased O/S June 30, 2019*	*Refunded O/S June 30, 2020*	*Defeased O/S June 30, 2020*	*Call Date*
Consolidated Revenue Bonds, Series 2011A	$ -	$ 5,375	$ -	$ -	
Student Fee Bonds, Series U		19,705	-	19,705	8/1/2022
Consolidated Revenue Bonds, Series 2012A			-	61,090	6/1/2022
Certificates of Participation, Series 2012A			-	11,300	6/1/2022
Lease Purchase Obligations, Series 2014A			-	14,870	6/1/2023
Student Fee Bonds, Series T-2			35,745	-	8/1/2020
Student Fee Bonds, Series V-1			-	16,495	8/1/2022
Total bonds	**$ -**	**$ 25,080**	**$ 35,745**	**$ 123,460**	

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 BABs 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, 2020, BABs subsidies for Student Fee Bonds, Series T-2; Consolidated Revenue Bonds, Series 2010B; and Certificates of Participation, Series 2009B combined were reduced by $1,251,000, which per fiscal year affected was less than $200,000. Total federal interest subsidies expected to be received as of June 30, 2020 are $994,000. BABs subsidies paid between October 1, 2020, and September 30, 2030, are scheduled to be reduced by 5.70% due to the federal sequestration, which is subject to changes enacted by Congress at subsequent dates, as compared to 5.90% from October 1, 2019 through September 30, 2020. For fiscal year ending June 30, 2021, the total expected subsidy reductions due to the sequestration is $59,000.

On March 3, 2020, the university issued fixed-rate Consolidated Revenue Bonds, Series 2020A ("CRB 2020A") with a par amount of $51,175,000 as current refunding bonds and Consolidated Revenue Bonds, Series 2020B ("CRB 2020B") with a par amount of $221,810,000, which included new money bonds of $155,825,000, the refinancing of Commercial Paper Notes Series 2018A, and advance refunding bonds of $65,985,000. CRB 2020A is tax-exempt and federal arbitrage regulations apply. The CRB 2020B new money proceeds were used to finance the construction of the North Housing Addition and the renovation of the Foster and McNutt Quadrangles on the Bloomington campus. The CRB 2020A proceeds were used to redeem the Consolidated Revenue Bonds, Series 2010B and Series 2011A prior to fiscal year ended June 30, 2020. A portion of the Consolidated Revenue Bonds, Series 2020B proceeds were used to partially defease Consolidated Revenue Bonds, Series 2012A. The CRB 2020A and CRB 2020B proceeds were also used to pay costs to issue the bonds, including underwriters' discount. CRB 2020A maturities range from June 1, 2021 to June 1, 2035. CRB 2020B maturities range from June 1, 2021 to June 1, 2060. The all-in true interest cost for CRB 2020A was 1.73% and for CRB 2020B was 2.41%. The CRB 2020A refunding bonds produced a net present value savings of $10,070,000, which was 15.70% of refunded par bonds. The CRB 2020B refunding bonds produced a net present value savings of $9,497,000, which was 15.55% of refunded par bonds.

On March 10, 2020, the university issued fixed-rate Lease Purchase Obligations, Series 2020A ("LPO 2020A") with a total par amount of $79,545,000 and Lease Purchase Obligations, Series 2020B ("LPO 2020B") with a par amount of $28,810,000. LPO 2020A included new money bonds of $69,250,000 and current refunding bonds of $10,295,000. LPO 2020A new money proceeds were used to finance the construction of the Academic Health Sciences Building and Wilkinson Hall on the Bloomington campus, Innovation Hall on the IUPUI campus, and refinance Commercial Paper Notes Series 2018A and Commercial Paper Notes Taxable Series 2019A. LPO 2020A is tax-exempt and federal arbitrage regulations apply. The LPO 2020A proceeds were used to redeem the Certificates of Participation, Series 2009B prior to fiscal year ended June 30, 2020. LPO 2020B consisted of advance refunding bonds and its proceeds were used to partially defease both the Certificates of Participation, Series 2012A and Lease Purchase Obligations, Series 2014A. The LPO 2020A and LPO 2020B proceeds were also used to pay costs to issue the bonds, including underwriters' discount. LPO 2020A maturities range from June 1, 2021 to June 1, 2045. LPO 2020B maturities range from June 1, 2021 to June 1, 2037. The all-in true interest cost for LPO 2020A was 2.53% and for LPO 2020B was 2.34%. The LPO 2020A refunding bonds produced a net present value savings of $1,476,000, which was 11.85% of refunded par bonds. The LPO 2020B refunding bonds produced a net present value savings of $2,676,000, which was 10.23% of refunded par bonds.

On June 24, 2020, the university issued fixed-rate new money Student Fee Bonds Series Z-1 ("Series Z-1") with a par amount of $81,265,000, which included new money bonds of $50,705,000 and current refunding bonds of $30,560,000, and Student Fee Bonds Series Z-2 ("Series Z-2") with a par amount of $18,595,000 as advance refunding bonds. Series Z-1 is tax-exempt and federal arbitrage regulations apply. The Series Z-1 new money proceeds were used to finance the Bicentennial Repair and Renovation Plan project, including the renovation and remodeling of the Glenn A. Black Laboratory of Archaeology, the Mathers Museum of World Cultures, and the McCalla School on the Bloomington Campus and renovations to the Health Sciences, Dunlap Drug Discovery Lab, Bryce, and Ott buildings on the IUPUI campus. The Series Z-1 proceeds were also used to refund a portion of Student Fee Bonds Series T-2 and the Series Z-2 proceeds were used to partially defease Series V-1. The proceeds were also used to pay costs to issue the bonds, including underwriters' discount. Series Z-1 maturities range from August 1, 2020 to August 1, 2035. Series Z-2 maturities range from August 1, 2020 to August 1, 2026. The all-in true interest cost for Series Z-1 was 1.23% and for Series Z-2 was 1.03%. The Series Z-1 refunding bonds produced a net present value savings of $5,810,000, which was 16.25% of refunded par bonds. The Series Z-2 refunding bonds produced a net present value savings of $1,163,000, which was 7.05% of refunded par bonds.

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 $8,390,000 and $9,125,000 as of June 30, 2020 and 2019, respectively. Accumulated amortization of leased equipment totaled $4,836,000 and $5,422,000 at June 30, 2020 and 2019, 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 $8,861,000 with accumulated depreciation of $2,198,000 and $1,200,000 as of June 30, 2020 and 2019, 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 $26,756,000 and $14,942,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

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

(dollar amounts presented in thousands)

	Capital	Operating
2021	$ 1,996	$ 22,269
2022	925	14,015
2023	302	4,859
2024	32	4,261
2025	10	1,608
2026-2030	–	2,932
Total future minimum payments	**3,265**	**$ 49,944**
Less: interest	(163)	
Total principal payments outstanding	**$ 3,102**	

Note 10—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 $500,000 for each claim and $1,500,000 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 $28,024,000 and $27,665,000 at June 30, 2020 and 2019, respectively. In addition, a potential claims fluctuation liability of $9,876,000 has been recorded at June 30, 2020 and 2019.

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*
2020	$ 27,665	$ 253,436	$253,077	$ 28,024
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. For these groups, the university has recorded a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans in the amount of $1,623,000 and $1,536,000 at June 30, 2020 and 2019, respectively. These plans are funded by direct charges to the associated schools and/or departments.

Note 11—Retirement Plans

The university provided retirement plan coverage to 20,913 and 19,809 active employees as of June 30, 2020 and 2019, 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 $2,215,000 during fiscal year ended June 30, 2020, and $4,928,000 during fiscal year ended June 30, 2019, to TIAA-CREF for the plan. The university contributed $6,025,000 during fiscal year ended June 30, 2020, and $1,212,000 during fiscal year ended June 30, 2019, to Fidelity Investments for the plan. Under this plan, there were 3,323 and 2,804 active participants as of June 30, 2020 and 2019, respectively. Beginning January 1, 2020, Fidelity became the sole provider of recordkeeping services for this plan.

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 $23,264,000 during fiscal year ended June 30, 2020, and $58,263,000 during fiscal year ended June 30, 2019, to TIAA-CREF for the IU Retirement Plan. The university contributed $92,818,000 during fiscal year ended June 30, 2020, and $54,321,000 during fiscal year ended June 30, 2019, to Fidelity Investments for the IU Retirement Plan. Under this plan, there were 15,380 and 14,512 active participants as of June 30, 2020 and 2019, respectively. Beginning January 1, 2020, Fidelity became the sole provider of recordkeeping services for this plan.

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 691 and 740 active employees on June 30, 2020 and 2019, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP), a defined contribution plan in compliance with IRC 401(a), with participant accounts at Fidelity Investments. The university contributed $1,991,000 and $2,089,000 to IUSERP during fiscal years ended June 30, 2020 and 2019, 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 12, 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.

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 defined benefit plan based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. There are two tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the My Choice: Retirement Savings Plan for Public Employees (My Choice), formerly known as Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). The university participates in the PERF Hybrid Plan. The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension. The second portion of the PERF Hybrid Plan benefit structure is the defined contribution component, known as Public Employees' Hybrid Members Defined Contribution Account. Both components are funded by employer contributions. Support staff and temporary employees who normally work at least 50% FTE appointment hired prior to July 1, 2013, participate in the PERF Hybrid Plan. There were 2,210 and 2,493 active university employees covered by this retirement plan as of June 30, 2020 and 2019, respectively. 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 defined pension benefit. The defined contribution 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

Landmark gate
Third and Union Streets; Bloomington

Cindy's Song ***sculpture***
Jacobs School of Music; Bloomington

the defined benefit account. 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. INPRS investments are measured at fair value within the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application. The INPRS Comprehensive Annual Financial Report for 2019 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 $12,141,000 and $14,795,000 for fiscal years ended June 30, 2020 and 2019, respectively. This represented an 11.2% university pension benefit contribution for fiscal years ended June 30, 2020 and 2019, and a 3.0% university contribution for the annuity savings account provisions each year.

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, 2020, the University reported a liability of $65,254,000 for its proportionate share of the net pension liability, as compared to $68,576,000 for the year ended June 30, 2019. The June 30, 2020, net pension liability of $65,254,000 at the measurement date was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, which used update procedures to roll forward the estimated liability to June 30, 2019. 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, 2019, the university's proportion was 1.97%, a decrease of .05 percentage points from its proportion measured as of June 30, 2018, which was 2.02%. The university's June 30, 2018 proportion decreased .04 percentage points from its proportion measured as of June 30, 2017, which was 2.06%. Pension expense of the university as of June 30, 2020 and 2019, was $13,911,000 and $12,172,000, respectively.

At June 30, 2020, 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	$ 1,728	$ –
Changes of assumptions	15	7,094
Net difference between projected and actual earnings on pension plan investments	–	3,084
Changes in proportion and differences between university contributions and proportionate share of contributions	952	2,138
University contributions subsequent to the measurement date	9,955	–
Total	**$ 12,650**	**$ 12,316**

Deferred outflows of resources in the amount of $9,955,000 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, 2021.

Sample Gates
Old Crescent; Bloomington

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**

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*
2020	$ (2,911)
2021	(5,161)
2022	(1,310)
2023	(239)
2024	–
Thereafter	–
Total	**$ (9,621)**

Actuarial Assumptions. The total pension liability as of June 30, 2019 and June 30, 2018, based on the results of actuarial valuation dates of June 30, 2018 and June 30, 2017, 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, 2019	*Measurement Date as of June 30, 2018*
Cost of living	FY 2020-2021 – 13th check FY 2022-2033 – 0.4% FY 2034-2038 – 0.5% FY 2039 and on – 0.6%	FY 2019-2020 – 13th check FY 2021-2032 – 0.4% FY 2033-2037 – 0.5% FY 2038 and on – 0.6%
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 investment expense	6.75%, net of 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, 2019, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies that reflected the period from July 1, 2010, through June 30, 2014. Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.

Luddy Hall
Bloomington

Harper Hall
Forest Quadrangle; Bloomington

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. 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, 2019		*Measurement Date as of June 30, 2018*	
	Target Allocation	*Long-Term Expected Real Rate of Return*	*Target Allocation*	*Long-Term Expected Real Rate of Return*
Public equity	22.0%	4.9%	22.0%	4.4%
Private equity	14.0%	7.0%	14.0%	5.4%
Fixed income – ex inflation-linked[1]	20.0%	2.5%	20.0%	2.2%
Fixed income – inflation-linked	7.0%	1.3%	7.0%	0.8%
Commodities	8.0%	2.0%	8.0%	2.3%
Real estate	7.0%	6.7%	7.0%	6.5%
Absolute return	10.0%	2.9%	10.0%	2.7%
Risk parity	12.0%	5.3%	12.0%	5.2%
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, 2019 and 2018. 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, 2020	$ 104,799	$ 65,254	$ 32,271
June 30, 2019	107,949	68,576	35,743

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 $1,721,000 at June 30, 2020, and $1,115,000 at June 30, 2019, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2020 and 2019, respectively.

Note 12—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*.

The Plan is a single-employer defined benefit plan administered by Indiana 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 of Indiana University ("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 for fiscal year 2019 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 $806,000 and $814,000 in premiums in the fiscal years ended June 30, 2020 and June 30, 2019, respectively. The university contributed $33,456,000 and $32,264,000 to the consolidated OPEB Plan in fiscal year ended June 30, 2020 and June 30, 2019, respectively. The university does not maintain a separate legal trust to house assets used to fund postemployment benefits.

As of the June 30, 2020 actuarial valuation date, the number of plan participants consisted of the following:

	18/20 Plan	*Retiree Health Insurance*	*Retiree Life Insurance*
Active employees	89	18,147	19,531
Inactive employees receiving benefits	188	157	6,185
Total	**277**	**18,304**	**25,716**

OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2020 and June 30, 2019, the university reported $229,203,000 and $254,629,000 for its total OPEB liability, respectively. The current portion of the OPEB liability was $27,640,000 and $33,456,000 at June 30, 2020 and June 30, 2019, respectively. At June 30, 2020 and June 30, 2019, the university reported $25,343,000 and $27,717,000 for its total OPEB expense, respectively. The total OPEB liability was measured as of June 30, 2020, and was based on an actuarial valuation date of June 30, 2020, with no adjustments. Liabilities as of July 1, 2019, were based on an actuarial valuation date of July 1, 2018 actuarially projected on a "no gain / no loss" basis to get to the June 30, 2019 measurement date.

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2020, 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	$ 106,866	$ 108,513	$ 39,250	$ 254,629
Service cost	2,442	8,746	1,118	12,306
Interest	3,344	4,052	1,391	8,787
Changes in assumptions	2,014	3,852	5,188	11,054
Differences between expected and actual experience	(2,431)	(22,099)	413	(24,117)
Benefit payments	(28,297)	(3,690)	(1,469)	(33,456)
Total OPEB liability, end of year	**$ 83,938**	**$ 99,374**	**$ 45,891**	**$ 229,203**
Current portion of OPEB liability				**$ 27,640**
OPEB expense	**$ 4,925**	**$ 17,035**	**$ 3,383**	**$ 25,343**

Student Building
Old Crescent; Bloomington

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**
Current portion of OPEB liability				**$ 33,456**
OPEB expense	**$ 5,970**	**$ 19,189**	**$ 2,558**	**$ 27,717**

The discount rate changed from 3.51% as of July 1, 2019, to 2.66% as of June 30, 2020. The health care trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. 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, 2020, 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	$ 2,253	$ 527
Retiree health insurance	8,145	-
Retiree life insurance	6,139	606
Differences between expected and actual experience:		
18/20 Plan	-	6,946
Retiree health insurance	39,078	24,080
Total	**$ 56,022**	**$ 32,159**

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**

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*
2021	$ (861)	$ 4,237	$ 873	$ 4,249
2022	(861)	4,237	873	4,249
2023	(861)	4,237	873	4,249
2024	(861)	4,237	873	4,249
2025	(861)	4,237	873	4,249
Thereafter	(913)	1,957	1,574	2,618

Memorial Hall
Bloomington

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

	Measurement Date as of June 30, 2020	*Measurement Date as of June 30, 2019*
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	8.0% for fiscal year 2021 to 4.5% for fiscal year 2028 and later years	8.5% for fiscal year 2020 to 5.0% for fiscal year 2027 and later years
Mortality rates	Based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019	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, 2020, was 2.66% and 3.51% as of July 1, 2019. 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, 2020 total OPEB liability using the discount rate of 2.66% 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 (1.66%)*	*Current Discount Rate (2.66%)*	*1% Increase (3.66%)*
18/20 plan	$ 85,156	$ 83,938	$ 82,681
Retiree health insurance	107,948	99,373	91,435
Retiree life insurance	54,972	45,892	38,847
Total	**$ 248,076**	**$ 229,203**	**$ 212,963**

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 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, 2020 (current 8.0% decreasing to 4.5%)	$ 87,859	$ 99,373	$ 113,044
June 30, 2019 (current 8.5% decreasing to 5%)	95,372	108,513	124,188

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

Note 13—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 $351,100,000 and $369,647,000 at June 30, 2020 and 2019, respectively, and are not included in the financial statements of the university.

Note 14—Functional Expenses

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

Fiscal year ended June 30, 2020

(dollar amounts presented in thousands)

	Natural Classification				
Functional Classification	*Compensation & Benefits*	*Scholarships & Fellowships*	*Supplies & Expenses*	*Depreciation*	*Total*
Instruction	$ 1,004,300	$ 20,987	$ 239,642	$ –	$ 1,264,929
Research	215,066	2,977	114,155	–	332,198
Public service	80,456	1,449	41,970	–	123,875
Academic support	356,498	3,056	135,552	–	495,106
Student services	98,945	952	31,620	–	131,517
Institutional support	136,332	19	64,013	–	200,364
Physical plant	104,870	41	97,583	–	202,494
Scholarships & fellowships	18,313	145,811	4,858	–	168,982
Auxiliary enterprises	229,885	5,304	152,172	–	387,361
Depreciation	–	–	–	168,129	168,129
Total operating expenses	**$ 2,244,665**	**$ 180,596**	**$ 881,565**	**$ 168,129**	**$ 3,474,955**

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**

Note 15—Commitments and Loss Contingencies

The university had outstanding commitments for capital construction projects of $212,053,000 and $211,415,000 at June 30, 2020 and 2019, respectively.

Based upon the information available at the date of the financial report, it is possible that the university may be obligated to refund at least a portion of student tuition and fees under a legal action pending in Monroe Circuit Court, which is a putative class action suit, due to the transition to virtual instruction in Spring Semester 2020 as a result of the COVID-19 pandemic. Neither the event of an unfavorable outcome, nor an estimate of potential loss or a range of potential losses is known or can be predicted as of the financial reporting date. Plaintiff does not quantify and has not proposed any measure of damages.

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 16—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.

Note 16—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)

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: Receivables 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.

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, 2020 and 2019.

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 and other assets: 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.

Other assets consist of investments whose fair values are not readily determinable. These assets are recorded at historical cost and are evaluated annually for impairment. There is $23,075 and $16,553 of other assets reflected in Investments and Other assets in the statements of financial position as of June 30, 2020 and 2019, respectively. The underlying investment entity's redemption frequency is considered to be a long-term commitment and there is no redemption notice period. Unfunded commitments for these assets were $14,814 and $22,136 at June 30, 2020 and 2019, respectively.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

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

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.

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, 2020 and 2019.

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, 2020 and 2019.

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.

Note 16—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)

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 ($2,462) and $8,636 are reflected in the statements of activities as net assets released from restrictions for the years ended June 30, 2020 and 2019, respectively.

Revenue recognition: The Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods or services to customers. The Foundation adopted the new guidance utilizing the modified retrospective transition method effective date of July 1, 2019. The adoption of this guidance did not impact the timing of the Foundation's recognition of revenue.

Revenues within the scope of Topic 606 consist primarily of management and administrative fees, development service fees from the University, grant income, and certain other income resulting primarily from reimbursements from the University for the cost of direct support of certain fundraising activities and receipts from various program operations.

The Foundation has no significant costs that are capitalized to obtain or to fulfill a contract with a customer. Performance obligations for the revenue streams noted above are satisfied at a point in time, and revenue is recognized as performance obligations are met. These revenue streams do not include significant financing components and there are no significant consideration amounts that are variable.

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: Other income reported in the statement of activities 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.

Note 16—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)

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 2017. As of June 30, 2020 and 2019, 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.

Recently issued accounting standards: 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, 2023, 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.

Recently issued accounting standards, adopted: Effective July 1, 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which required the Foundation to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Foundation adopted the new guidance on July 1, 2019 and applied the standard to all of its open contracts at date of adoption using the modified retrospective transition method. Under this method, the Foundation is to recognize the cumulative effect of changes in net assets on the date of adoption. The Foundation has determined the adoption of ASU 2014-09 did not have a material impact on its financial statements on the date of adoption. Accordingly, no cumulative effect adjustment to net assets was required.

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 Foundation adopted ASU 2016-01 in the accompanying financial statements and has applied its provisions on a modified prospective basis. The adoption of this ASU did not have a material impact on the Foundation’s financial statements.

Note 16—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)

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*. ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Foundation adopted ASU 2018-08 in the accompanying financial statements and has applied its provisions on a modified prospective basis. The adoption of this ASU did not have a material impact on the Foundation's financial statements.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through September 30, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the work to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. The extent to which the coronavirus impacts the Foundation's financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted, included new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

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.

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.

Note 16—Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 2. Liquidity and Availability (Continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2020 and 2019:

	2020	2019
Total assets at year-end	$ 3,105,177	$ 3,215,936
Less non-financial assets:		
Property, plant and equipment, net	(57,451)	(58,327)
	3,047,726	3,157,609
Less amounts not available to be used within one year:		
Investments encumbered by donor restriction	(1,595,434)	(1,641,005)
Assets designated by the Board	(66,894)	(57,512)
Annual spending policy distribution for encumbered investments	67,840	69,663
Agency assets	(258,641)	(283,123)
Collateral under security lending agreements	(50,203)	(98,251)
Promises to give for donor restricted gifts or due after one year, net	(284,723)	(246,899)
Receivables and other assets due after one year	(13,153)	(13,490)
Other restricted cash and investments	(14,528)	(9,217)
Financial assets not available to be used within one year	(2,215,736)	(2,279,834)
Financial assets available to meet general expenditures within one year	$ 831,990	$ 877,775

Note 3. Promises to Give

A summary of promises to give as of June 30, 2020 and 2019, follows:

	2020	2019
Promises to give	$ 353,549	$ 323,308
Allowance	(23,676)	(24,195)
Discount	(45,146)	(47,406)
	$ 284,727	$ 251,707

Promises to give are due in the following periods:

	2020	2019
Promises to give, due in:		
One year or less	$ 15,322	$ 17,799
Between one year and five years	145,870	126,121
More than five years	123,535	107,787
	$ 284,727	$ 251,707

Discount rates used to present value promises to give range between 0.6% and 6.0%.

Note 16—Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

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.

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, 2020 and 2019, 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.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 4. Fair Value Measurement and Investments (Continued)

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.

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.

Note 16—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, 2020:

	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	$ 496,927	$ -	$ -	$ 87,443	$ 584,370
International equities	268,305	-	-	163,549	431,854
Domestic fixed income	128,261	73,066	-	63,163	264,490
International fixed income	26,671	893	-	3,993	31,557
Real estate	9,645	-	23,101	-	32,746
Cash equivalents	22,787	1,152	-	-	23,939
Alternative investments:	-	-	-	-	-
Hedged equity funds	-	-	-	42,474	42,474
Absolute return funds	-	-	-	294,058	294,058
Venture capital	-	-	-	246,466	246,466
Buyouts	-	-	-	198,948	198,948
Distressed / special situations	-	-	-	68,618	68,618
Real estate	-	-	-	171,843	171,843
Alternative fixed income	-	-	-	76,924	76,924
Natural resources	-	-	-	107,248	107,248
	$ 952,596	$ 75,111	$ 23,101	$ 1,524,727	2,575,535
Other assets (see note 1)					23,075
Total investments and other assets					$ 2,598,610
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 41,578	$ -	$ 41,578
Derivatives*	$ 522	$ 10,565	$ -	$ -	$ 11,087

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, 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	-	-	-	168,024	168,024
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	$ 1,514,192	2,660,971
Other assets (see note 1)					16,553
Total investments and other assets					$ 2,677,524
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 42,633	$ -	$ 42,633
Derivatives*	$ 456	$ 19,130	$ -	$ -	$ 19,586

* Derivatives are presented as due to brokers and due from brokers on the statement of financial position.

** 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, 2020 and 2019, the Foundation had $708,260 and $693,856 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.

Note 16—Indiana University Foundation Notes to Financial Statements

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, 2020 and 2019:

	2020	2019
Beginning balance (real estate)	$ 25,045	$ 24,109
Realized and unrealized gains (losses)	(116)	(377)
Purchases	3,909	6,273
Sales and settlements	(5,737)	(4,960)
	$ 23,101	$ 25,045

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:

	2020	2019
Beginning balance	$ 42,633	$ 38,754
Liability portion of charitable gifts received	2,989	4,965
Payments to annuitants	(4,407)	(4,261)
Change in the present value of split interest obligations	363	3,175
	$ 41,578	$ 42,633

The table below presents the Foundation's ability to redeem investments valued at net asset value or its equivalent as of June 30, 2020 and 2019, 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, 2020 and 2019:

Investment Category and Strategy	2020 Fair Value	2020 Unfunded Commitments	2019 Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities[(a)]	$ 87,443	$ -	$ 81,190	quarterly, annually	30-60 days
International equities[(b)]	163,549	-	162,278	monthly	30 days
Domestic fixed income[(c)]	63,163	-	73,581	monthly, bimonthly, quarterly	30-45 days
International fixed income[(d)]	3,993	-	6,321	monthly, bimonthly, quarterly	30-45 days
Hedge equity funds[(e)]	42,474	-	58,074	monthly, quarterly, **** semi-annually, annually	30-90 days
Absolute return funds[(f)]	294,058	-	345,840	monthly, quarterly, **** semi-annually, annually	30-90 days
Venture capital funds[(g)]	246,466	105,046	216,754	Long-term commitment ***	none
Buyout funds[(h)]	198,948	265,805	168,024	Long-term commitment ***	none
Distressed/special situation funds[(i)]	68,618	95,805	55,726	Long-term commitment ***	none
Real estate funds[(j)]	171,843	127,420	144,137	Long-term commitment ***	none
Alternative fixed income[(k)]	76,924	29,219	46,942	Long-term commitment ***	none
Natural resources funds[(l)]	107,248	84,965	155,325	Long-term commitment ***	none
	$ 1,524,727	$ 708,260	$ 1,514,192		

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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, 2020, 40% of the total Marketable Alternative Investments (Hedged equity funds and Absolute return funds) could be redeemed in 0-6 months, an additional 32% could be redeemed between 7-12 months and 21% could be redeemed between 13-24 months. The remaining 7% 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, 2020.
(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, 2020.
(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.

Note 16—Indiana University Foundation Notes to Financial Statements

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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 $15,945 and $21,407 as of June 30, 2020 and 2019, respectively.

The following table summarizes the qualitative information about certain of the Foundation’s Level 3 inputs as of June 30, 2020 and 2019:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges
Real estate investments, 2020	$ 23,101	Market approach	Comparable transactions	N/A
Real estate investments, 2019	$ 25,045	Market approach	Comparable transactions	N/A

Note 5. Derivatives

The Foundation authorizes certain investment managers to use a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement, which are exchange traded or executed over the counter (OTC). These instruments are used to (1) manage exposure to certain markets and asset classes (2) manage exposure to interest rate fluctuations (3) simulate long or short positions that are unavailable in the market or to reduce credit risk where exposure exists. The Foundation records derivative securities at fair value. These instruments are classified as due to/ from brokers on the statement of financial position and may include foreign exchange contracts, swaps, options, futures and forward contracts. The Foundation values derivatives that are traded on an exchange at their last reported sales price. The Foundation values derivative contracts that are centrally cleared or traded on the OTC market using: market price quotations, counterparty quotations, broker or dealer quotations, or pricing models that take into account the terms of the contract (including the notional amount and contract maturity) and inputs such as interest rates, yield curves, prepayment rates, credit spreads, recovery rates, currency exchange rates, volatility, correlation of inputs and changes in the fair value of the referenced asset. Derivative instruments, such as futures contracts, are classified as Level 1 in the fair value hierarchy presented in Note 4. Derivative instruments, such as interest rate swaps, option contracts, forward contracts, credit default swaps and foreign exchange contracts are classified as Level 2 in the fair value hierarchy presented in Note 4. The Foundation records derivative securities on the trade date. Gains and losses from derivative contracts are included in investment income in the statement of activities. The Foundation generally records a realized gain or loss on the expiration, termination or settlement of a derivative contract in the statement of activities.

To obtain mortgage market exposure in the portfolio the Foundation has entered into various commitments to purchase pass-through securities to buy a pool of mortgages at a future settlement date. The majority of mortgage-backed securities (MBS) are issued by US government agencies, which include the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA). These organizations aggregate single-family mortgages and issue pass-through certificates on a very frequent basis. New issues generally settle one month forward and are labeled as “to be announced” (TBA) securities. The difference between the forward settlement price and the current price is considered the imbedded financing rate of holding a TBA, and it reflects an investor’s ability to defer payment for the security and invest the cash until settlement. Parties of the TBA trade agree upon the general parameters of the securities to be delivered (i.e. issuer, coupon, mortgage type, term, and settlement month); the exact securities that comprise the pool are announced 48 hours prior to the established TBA trade settlement date.

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Notes to Financial Statements
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Note 5. Derivatives (Continued)

The following table identifies the fair value amounts of derivative contracts included in the statement of financial position, categorized by type of contract and underlying primary risk exposure as of June 30, 2020 and 2019. Balances are presented on a gross basis, before application of the effect of counterparty and collateral netting. These financial instruments are executed with creditworthy banks and brokerage firms, are subject to enforceable master netting arrangements or similar agreement and are presented at fair value on a net basis in the statement of financial position.

	Derivative Assets		Derivative Liabilities	
	2020	2019	2020	2019
Type of Contract	Fair Value	Fair Value	Fair Value	Fair Value
Interest rate risk				
Interest rate swaps	$ 556	$ 7	$ (2,380)	$ (1,321)
Option contracts	23	12	(17)	(9)
Forward contracts	17,440	20,423	(5,049)	-
Credit risk				
Credit default swaps	7	18	(10)	-
Foreign exchange risk				
Foreign exchange contracts	1,326	2,323	(1,331)	(2,333)
Equity price risk				
Futures contracts	544	578	(22)	(112)
Total Derivatives	$ 19,896	$ 23,361	$ (8,809)	$ (3,775)

The Foundation considers the notional amounts at June 30, 2020 and 2019, categorized by primary underlying risk, to be representative of the volume of its derivative activities during the year ended June 30, 2020 and 2019.

	2020		2019	
Primary underlying risk	Fair Value	Notional Value	Fair Value	Notional Value
Interest rate risk				
Interest rate swaps	$ (1,824)	$ 149	$ (1,314)	$ 285
Option contracts	6	(13)	3	(11)
Forward contracts	12,391	12,355	20,423	20,393
Credit risk				
Credit default swaps	(3)	(7)	18	(17)
Foreign exchange risk				
Foreign exchange contracts	(5)	-	(10)	-
Equity price risk				
Futures contracts	522	15,426	466	25,569
Total Derivatives	$ 11,087	$ 27,910	$ 19,586	$ 46,219

Note 16—Indiana University Foundation Notes to Financial Statements

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Note 6. 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% 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, 2020 and 2019, 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, 2020 and 2019, the market value of the securities on loan and payable on collateral due to broker totaled $50,203 and $98,251, 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, 2020 and 2019. 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, 2020 and 2019, was $161 and $178, respectively.

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

	2020	2019
Cash collateral:		
U.S. equities	$ 26,264	$ 70,467
Non-U.S. equities	1,326	838
Non-cash collateral:		
U.S. equities	21,795	26,156
Non-U.S. equities	818	790
	$ 50,203	$ 98,251

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Note 7. Split Interest Agreements

A summary of assets held and the obligations related to split interest agreements as of June 30, 2020 and 2019 follows:

	2020	2019
Assets (included in investments):		
Charitable remainder trusts and other	$ 32,670	$ 33,880
Charitable gift annuities	39,141	41,314
	$ 71,811	$ 75,194
Liabilities - split interest agreement obligations	$ 41,578	$ 42,633

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 8. Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2020 and 2019 follows:

	2020	2019
Land and buildings	$ 86,169	$ 84,854
Information and technology equipment	2,473	2,558
Other	2,887	2,828
	91,529	90,240
Less accumulated depreciation	(34,078)	(31,913)
	$ 57,451	$ 58,327

Note 16—Indiana University Foundation Notes to Financial Statements

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(In thousands)

Note 9. 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 6,867 and 6,645 individual funds as of June 30, 2020 and 2019, 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 is 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, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,146,494	$ 2,146,494
Board-designated endowment	38,794	-	38,794
	$ 38,794	$ 2,146,494	$ 2,185,288

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,195,787	$ 2,195,787
Board-designated endowment	36,729	-	36,729
	$ 36,729	$ 2,195,787	$ 2,232,516

INDIANA UNIVERSITY FOUNDATION

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 9. Endowments (Continued)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	$ 36,729	$ 2,195,787	$ 2,232,516
Investment loss	(296)	(69,159)	(69,455)
Contributions and other revenue	1,110	114,432	115,542
Appropriation of endowment assets for expenditure	(2,922)	(94,566)	(97,488)
Transfers to board-designated endowment funds	4,173	-	4,173
	$ 38,794	$ 2,146,494	$ 2,185,288

	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	(1,731)	(104,742)	(106,473)
	$ 36,729	$ 2,195,787	$ 2,232,516

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.

Note 16—Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 9. 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% in fiscal year 2019-2020. 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, 2020 and 2019, there were 2,628 and 631 accounts of $827,156 and $220,782 with a current fair value of $773,208 and $207,493, respectively. The total underwater amount of $53,948 and $13,289 as of June 30, 2020 and 2019, 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.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 10. Board Designated Net Assets

The Indiana University Foundation's board of directors has designated from net assets without donor restrictions $66,894 and $57,512 as of June 30, 2020 and 2019, respectively, net assets for the following purposes:

	2020	2019
Quasi-endowments:		
Foundation	$ 33,981	$ 31,567
University	4,813	5,162
Reserves and encumbrances	28,100	20,783
	$ 66,894	$ 57,512

Note 11. 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 $1,621,102 and $1,660,584 of donor restricted assets held in perpetuity for the years ended June 30, 2020 and 2019, 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:

	2020	2019
Foundation operations	$ 31,034	$ 32,622
University programs:		
Awards	45,096	39,451
Capital and capital improvements	154,174	136,212
Fellowships / lectureships	152,876	150,027
General endowments	628,267	652,524
Medical practice plans	33,261	35,371
Operations	119,552	91,808
Professorships / chairs	580,190	603,499
Research	108,421	107,933
Scholarships	740,240	762,607
	$ 2,593,111	$ 2,612,054

Note 12. 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% of the participant's annual salary up to the social security wage base and 15% 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 $2,251 and $2,145 for the years ended June 30, 2020 and 2019, respectively.

Note 16—Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 13. Functional Classification of Expenditures

Program expenditures include support for Foundation and University programs. For the years ended June 30, 2020 and 2019, a summary of these expenditures is as follows:

2020	Grants and Aid to the University	Management and General	Fundraising	Total
University activities:				
University support	$ 31,944	$ -	$ -	$ 31,944
Student scholarships and financial aid	56,974	-	-	56,974
Land, building and equipment purchases	31,819	-	-	31,819
Faculty support	37,847	-	-	37,847
Faculty research	10,022	-	-	10,022
Foundation activities:				
Salaries and benefits	879	8,417	16,403	25,699
Depreciation	2,240	190	490	2,920
Insurance	199	186	327	712
Interest	138	-	-	138
Maintenance	1,248	521	552	2,321
Miscellaneous	1,055	63	151	1,269
Office expenses	12	373	671	1,056
Professional fees	121	1,088	1,093	2,302
Technology	12	582	1,178	1,772
Training and recruitment	-	254	121	375
Travel and representation	694	737	1,020	2,451
Utilities	8	236	4	248
Bad debts	-	3,145	29	3,174
	$ 175,212	$ 15,792	$ 22,039	$ 213,043

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

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 14. 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, 2020 and 2019, 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 $1,558 and $1,089, 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, 2020 and 2019, respectively, as follows: $5,974 and $6,047 of rental income for the lease of certain real estate; $0 and $421 for Telefund service fees related to its telephone fundraising operations; $420 and $1,168 for charter services; and $23,234 and $21,944 in management/administrative fees, of which $2,731 and $2,648 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, 2020 and 2019, follows:

	2020	2019
Contributions	$ 15,907	$ 13,570
Promises to give	79,041	92,634

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 $658 and $1,191 for the years ended June 30, 2020 and 2019, 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 15. Cash Flows Information

Supplemental information relative to the statement of cash flows for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 136	$ 276
Non-cash investing and financing activities:		
Gifts of securities, life insurance, and real and personal property at fair value	$ 44,184	$ 39,944

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, 2019	*June 30, 2018*	*June 30, 2017*	*June 30, 2016*	*June 30, 2015*	*June 30, 2014*
University's proportion of the net pension liability	1.97%	2.02%	2.06%	2.11%	3.30%	3.85%
University's proportionate share of the net pension liability	$ 65,254	$ 68,576	$ 92,066	$ 95,689	$ 134,565	$ 101,229
University's covered payroll	$ 101,364	$ 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 payroll	64.38%	55.00%	71.64%	68.59%	85.79%	54.71%
Plan fiduciary net position as a percentage of the total pension liability	80.10%	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					
	2020	*2019*	*2018*	*2017*	*2016*	*2015*
Contractually required contribution	$ 10,583	$ 11,170	$ 13,978	$ 13,980	$ 15,637	$ 17,484
Contributions in relations to the contractually required contribution	$ (10,583)	$ (11,170)	$ (13,978)	$ (13,980)	$ (15,637)	$ (17,484)
Contribution deficiency	–	–	–	–	–	–
University's covered payroll	$ 94,664	$ 101,364	$ 124,694	$ 128,504	$ 139,508	$ 156,848
Contributions as a percentage of covered payroll	11.18%	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:

Changes of Benefit Terms: There were no changes of benefit terms for the years presented.
Changes in Assumptions: For the actuarial valuation as of June 30, 2018, the 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 Payroll	Total Liability as Percentage of Covered Payroll
Fiscal Year 2020:										
18/20 Plan	$ 2,442	$ 3,344	$ 2,014	$ (2,431)	$ (28,297)	$ (22,928)	$ 106,866	$ 83,938	$ 20,425	411.0%
Retiree Health Insurance	8,746	4,052	3,852	(22,099)	(3,690)	(9,139)	108,513	99,374	1,307,836	7.6%
Retiree Life Insurance	1,118	1,391	5,188	413	(1,469)	6,641	39,250	45,891	1,307,836	3.5%
Total	**$ 12,306**	**$ 8,787**	**$ 11,054**	**$ (24,117)**	**$(33,456)**	**$(25,426)**	**$254,629**	**$229,203**		
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 2020:
Changes of Benefit Terms: There were no changes of benefit terms for the plan year ended June 30, 2020.
Changes in Assumptions: The discount rate decreased to 2.66% as of June 30, 2020. The health care trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. The mortality table has been updated from fully generational using Scale MP-2017 to headcount weighted, fully generational using Scale MP-2019.

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.*

Additional copies of this report may be obtained from:

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