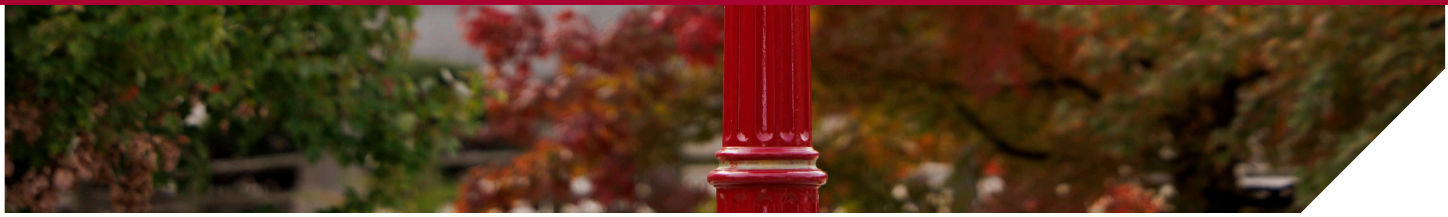
ANNUAL FINANCIAL REPORT

INDIANA UNIVERSITY

2022-2023



The Campus River near Ballantine Hall
IU Bloomington Campus

TABLE OF CONTENTS

Indiana University Annual Financial Report 2022–2023

MESSAGE FROM THE PRESIDENT

Pamela Whitten, 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 present the university's 2022-23 Financial Report. I am pleased to report that thanks to our ongoing efforts to reduce costs and increase efficiency through prudent use of state funds and tuition revenues, IU's financial position remains strong.

This fall, across our campuses and through our online programs, we have welcomed more than 90,000 students who comprise one of the most academically accomplished and diverse student bodies in IU history. That these students come to IU from all Indiana counties, every state in the nation, and 170 countries is a testament to the fact that IU continues to offer an affordable, accessible education.

Our commitment to affordability has made IU Bloomington's net in-state tuition the third lowest in the Big Ten. Our regional campuses offer the lowest average net price of all Indiana universities, and our Indianapolis campus is highly affordable compared to its peers. More than half of IU undergraduates leave school debt-free, and we have further strengthened our affordability by simplifying our fee structure, an initiative that will result in savings of $14.5 million a year for students beginning in 2024.

In April 2023, the IU Board of Trustees endorsed IU 2030, a bold, metric-driven, seven-year vision to advance student success and opportunity, expand the university's research and creative activity, and strengthen IU's unwavering commitment to serving communities in Indiana and across the world.

As we implement IU 2030, we are also preparing for the 2024 launch of IU Indianapolis, and what will become one of the preeminent urban research universities in this country, creating more opportunities for students and positioning our graduates to make an even more significant impact on Indiana. We will increase the number of job-ready graduates with a focus on developing talent in science, bioscience, medicine, and more, building better support for our communities, and fueling economic growth in the capital city and beyond.

Looking to the future, IU's sights are squarely set on reaching new heights as one of the nation's greatest public research universities, defined by students transformed, discoveries made, and communities strengthened.

Sincerely,

Pamela Whitten
President

Auer Hall at the Jacobs School of Music
IU Bloomington Campus

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

Dwayne Pinkney,
Executive Vice President for Finance and Administration,
Indiana University

Dear President Whitten 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, 2023. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) 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, 2022, through June 30, 2023. The statements report the university's financial position at June 30, 2023, with comparative data from the previous fiscal year. In addition, financial results of the discretely presented component units are incorporated in the 2022-2023 financial report.

The financial statements have been audited by Plante Moran and 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, 2023, the institution had an increase in net position of $242,858,000, or 5%, over the prior year. This positive financial performance was achieved while focusing on affordability. Resident undergraduate tuition rates increased by approximately 1% across all campuses for the 2022-2023 academic year. Complementing these moderate tuition increases was continued financial support for our students with $507,122,000 provided in financial aid.

Affordability is also maintained through the continued financial support of donors and the state, combined with the fiscal stewardship of those across the University. This has 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 2023, state support for university operations was $605,938,000, while state support for capital projects was $17,158,000. Simultaneously, donor support brought into the University was $166,551,000.

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 S&P Global Ratings. 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. These ratings also reflect 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, 2023.

Dwayne Pinkney
Executive Vice President for
Finance and Administration

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Independent Auditor's Report

To the Board of Trustees
Indiana University

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Indiana University (the "University"), a component unit of the State of Indiana, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise Indiana University's basic financial statements, as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of Indiana University as of June 30, 2023 and 2022 and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of discretely presented component units, which represents all of the assets, net position, and revenue of the discretely presented component units. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of discretely presented component units were not audited under *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Trustees
Indiana University

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 audits 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

Management is responsible for the accompanying message from the president; message from the vice president and chief financial officer, trustees, and administrative officers of Indiana University; and additional information (as identified in the table of contents), which are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

To the Board of Trustees
Indiana University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023 on our consideration of Indiana University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Indiana 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 Indiana University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 2, 2023

Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of Indiana University ("university" or IU) for the fiscal year ended June 30, 2023, with selected comparative information for the fiscal years ended June 30, 2022 and 2021. 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. IU'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. The university strives to achieve full diversity and to maintain friendly, collegial, and humane environment 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 university's financial statements also contain the following component units:

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. As a tax-exempt organization that would be misleading to exclude, the IU Foundation is considered a component unit of the university, which requires discrete presentation.

The James Whitcomb Riley Memorial Association, Inc., d/b/a Riley Children's Endowment (Riley) is organized as a not-for-profit corporation under the laws of the state of Indiana to fund and support the Riley Hospital for Children, to fund medical research dedicated to the treatment and care of disabled or sick children in conjunction with the Riley Hospital, and to secure and maintain endowment funds to benefit children and other initiatives. The university has the ability to appoint the voting majority of Riley's board of directors and to remove appointed directors of Riley's board at will. As a result, Riley is considered a component unit of the university, which requires discrete presentation.

The IU Medical Group Foundation, Inc. (IUMG) is organized as a not-for-profit corporation under the laws of the state of Indiana to acquire, manage, and distribute funds for the benefit of the Indiana University School of Medicine and Indiana University Health Care Associates. The university has the ability to appoint the voting majority of IUMG's board of directors, and there is a financial benefit relationship from IUMG. As a result, IUMG is considered a component unit of the university, which requires discrete presentation.

The Regenstrief Institute, Inc. ("Institute") is organized as a not-for-profit corporation under the laws of the state of Indiana to integrate research discovery, technological advances, and systems improvement into the practice of medicine. The university has the ability to appoint the voting majority of the Institute's board of directors and to remove appointed directors of the Institute's board at will. As a result, the Institute is considered a component unit of the university, which requires discrete presentation.

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.

The university adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during fiscal year ending June 30, 2023. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022, and should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. The most recent prior period of the financial statements and accompanying notes of the financial statements that were impacted by this Statement have been restated for the fiscal year ended June 30, 2022. The adoption of GASB 96 resulted in the recognition of subscription-based IT assets and liabilities in the amount of $17,480,000 as of July 1, 2021. See Note 1, Organization and Summary of Significant Accounting Policies for additional information.

Statement of Net Position

A comparison of the university's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2023, 2022, and 2021, is summarized as follows:

Condensed Statement of Net Position
(in thousands of dollars)

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021
Current assets	$ 692,206	$ 738,844	$ 602,970
Capital assets, net	3,810,550	3,811,412	3,782,215
Other assets	2,529,888	2,395,138	2,200,171
Total assets	**7,032,644**	**6,945,394**	**6,585,356**
Deferred outflows of resources	**77,020**	**79,869**	**79,318**
Current liabilities	460,537	551,615	505,524
Noncurrent liabilities	1,348,143	1,373,326	1,555,998
Total liabilities	**1,808,680**	**1,924,941**	**2,061,522**
Deferred inflows of resources	**77,189**	**119,385**	**74,441**
Net investment in capital assets	2,655,593	2,581,396	2,542,568
Restricted net position	831,813	928,679	505,674
Unrestricted net position	1,736,389	1,470,862	1,480,469
Total net position	**$ 5,223,795**	**$ 4,980,937**	**$ 4,528,711**

Assets

Current Assets

Current assets include those that are used to support current operations and consist primarily of cash and cash equivalents, current net receivables, and short-term investments. Cash balances support commitments to strategic initiatives, 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 decreased $46,638,000, or 6%, and increased $135,874,000, or 23%, in 2023 and 2022, respectively. The decrease in 2023 was primarily attributable to a decrease in cash and cash equivalents of $121,100,000. This was partially offset by an increase in short-term investments of $52,601,000 and an increase in net receivables of $24,125,000. The decrease in cash and cash equivalents was driven by the timing of investment purchases and sales, as well as operational needs. The increase in short-term investments was driven by the appreciation of equity and fixed income investments. The increase in net receivables was primarily driven by the timing of receivables realization.

The increase in 2022 was primarily attributable to an increase in short-term investments of $172,983,000. This was partially offset by a decrease in net receivables of $24,704,000 and a decrease in other current assets of $6,396,000. The increase in short-term investments was driven by gifts received from IU Health and IU Foundation, as well as changes to the operating fund portfolio mix between short and long-term investments. The decrease in net receivables in 2022 resulted from the timing of receivables realization, specifically related to reduced HEERF funding. The decrease in other current assets was a result of the implementation of GASB 96 (See Note 1, Organization and Summary of Significant Accounting Policies for additional information).

Noncurrent Assets

Major components of noncurrent assets are endowments, operating investments, and capital assets, net of accumulated depreciation. Noncurrent assets increased $133,888,000, or 2%, and increased $224,164,000 or 4%, in 2023 and 2022, respectively. The increase in 2023 was primarily attributable to an increase in long-term investments of $139,728,000, partially offset by a decrease in restricted cash and cash equivalents, noncurrent, of $6,660,000. The increase in long-term investments was driven by the appreciation of equity and fixed income investments.

The increase in 2022 was primarily attributable to an increase in both long-term investments of $233,703,000 and capital assets, net, of $29,197,000, partially offset by a decrease in restricted cash and cash equivalents, noncurrent, of $31,367,000. The increase in long-term investments was primarily due to the investment of a $416,000,000 gift from IU Health to further its mission and work in the community and across the state of Indiana, offset by a decrease in long-term investments market value. The increase in capital assets, net was primarily a result of the implementation of GASB 96 (See Note 1, Organization and Summary of Significant Accounting Policies for additional information).

Capital Assets

The university's investment in capital assets, net of depreciation, which includes land, art and museum objects, infrastructure, equipment, buildings, and right-to-use assets decreased $862,000 and increased $29,197,000 in 2023 and 2022, 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 capital appropriations, gifts designated for capital purposes, and debt proceeds (See Note 6, Capital Assets).

The university continues to focus on reinvesting in existing facilities through renovations and upgrades 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.

Total capitalized costs as of fiscal year 2023, related to significant projects completed, as listed below, were $104,464,000.

As part of the university's long-term housing plan, the Collins Living-Learning Center in Bloomington, comprised of three student residence buildings with 379 beds and a dining facility, received a full renovation. Smith Hall opened in 1924 as the first dormitory constructed on the current IU campus, with Edmondson and Cravens following in 1940. Care was taken to maintain the historic significance and charm of these buildings while also bringing building systems up to modern standards. Work included exterior repairs and interior renovations. Collins reopened for fall semester 2022. This project was funded by consolidated revenue bonds.

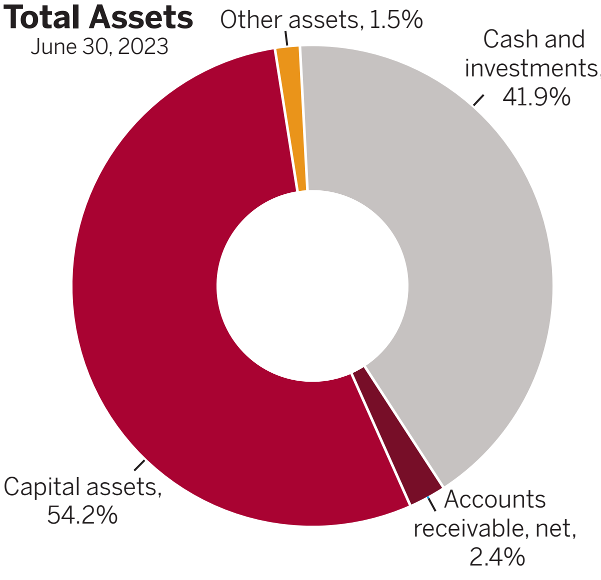
The Bicentennial Repair & Rehabilitation Plan renovated two buildings on the Bloomington campus (IU Museum of Archaeology and Anthropology, and McCalla) and four buildings on the IUPUI campus (Health Sciences, Dunlap, Bryce, and Ott). Due to their age, these facilities required updated building systems. Exterior repairs and interior renovations improved accessibility, efficiency, and safety. The IU Museum of Archaeology and Anthropology, formerly known as the Mathers Museum and Glenn A. Black Laboratory, continues to operate as a museum and research facility, with renovations enabling modern exhibit and research technology. McCalla is home to the new University Collections at McCalla; which engages students, faculty, visiting researchers, and public audiences with IU's world-class collections that span disciplines, time periods, and geography. The four buildings on the IUPUI campus house several campus units, including the IU School of Medicine's family medicine residency program and a primary care clinic. This project was funded by consolidated revenue bonds.

The following table and charts represent the composition of total assets as of June 30, 2023 and 2022:

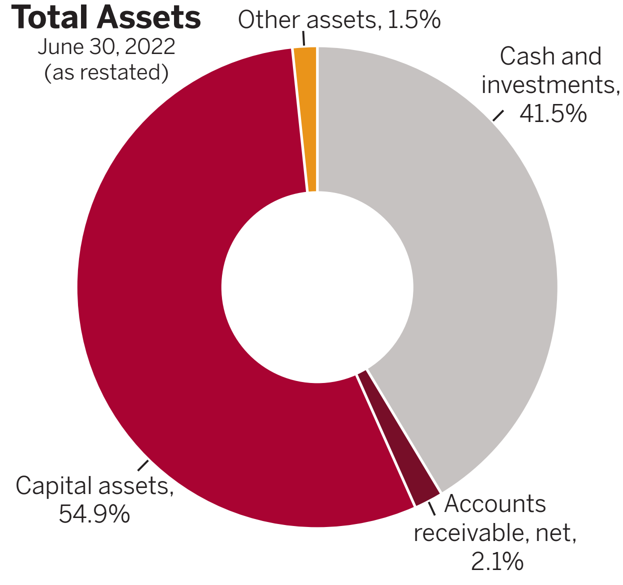
Total Assets
(in thousands of dollars)

	June 30, 2023			*June 30, 2022 (as restated)*		
Cash and investments	$	2,946,479	41.9%	$	2,881,910	41.5%
Accounts receivable, net		171,477	2.4%		147,352	2.1%
Capital assets, net		3,810,550	54.2%		3,811,412	54.9%
Other assets		104,138	1.5%		104,720	1.5%
Total assets	**$**	**7,032,644**	**100.0%**	**$**	**6,945,394**	**100.0%**

Total Assets
June 30, 2023



Total Assets
June 30, 2022
(as restated)



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 12, Retirement Plans) and the OPEB liability (see Note 13, Postemployment Benefits) are reported as deferred outflows of resources. The amounts recorded also include accumulated deferred charges on refundings of capital debt.

Deferred outflows decreased $2,849,000, or 4%, and increased $551,000, or 1%, in 2023 and 2022, respectively. Changes in deferred inflows are related to the difference between projected and actual earnings on pension plan and OPEB investments, changes in actuarial assumptions (See Note 12, Retirement Plans and 13, Postemployment Benefits), and changes related to the lease receivable under GASB 87.

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, and current portion of total other postemployment benefits obligations.

Current liabilities decreased $91,078,000, or 17%, and increased $46,091,000, or 9%, in 2023 and 2022, respectively. The decrease in 2023 was primarily attributable to decreases in unearned revenue of $41,101,000, accounts payable and accrued liabilities of $24,128,000, and the current portion of long-term debt and other obligations of $22,212,000. The decrease in the current portion of unearned revenue was primarily driven by the activity related to nongovernmental grants and contracts. The decrease in accounts payable and accrued liabilities was primarily driven by a reduction in the short-term portion of the CARES Act Social Security employer tax deferral from the prior year, as the university made the final deferral payment. The decrease in the current portion of long-term debt and other obligations was primarily driven by principal payments (see Debt and Financing Activity section below for additional information).

The increase in 2022 was primarily attributable to increases in unearned revenue of $16,129,000 and the current portion of long-term debt and other obligations of $87,579,000. This was partially offset by a decrease in accounts payable and accrued liabilities of $54,801,000. The unearned revenue increase was driven by auxiliary activity resuming to normal operations after the pandemic. $59,088,000 of the increase in the current portion of long-term debt and other obligations and the decrease in accounts payable and accrued liabilities was due to the reclassification of the current portion of compensated absences from accounts payable and accrued liabilities to the current portion of long-term debt and other obligations (see Note 1, Organization and Summary of Significant Accounting Policies). The remaining increase in the current portion of long-term debt and other obligations was primarily due to the restatement of the 2022 balance due to the implementation of GASB 96 (see Note 1, Organization and Summary of Significant Accounting Policies).

Noncurrent Liabilities

Noncurrent liabilities decreased $25,183,000, or 2%, and decreased $182,672,000, or 12%, in 2023 and 2022, respectively. The decrease in 2023 was primarily attributable to decreases in long-term debt and other obligations of $52,986,000 and the noncurrent portion of unearned revenue of $9,965,000. The decrease in long-term debt and other obligations was primarily due to principal payments (see Debt and Financing Activity section below for additional information). The decrease in the noncurrent portion of unearned revenue was primarily driven by the activity related to nongovernmental grants and contracts. This was partially offset by an increase in net pension liability of $33,228,000 as a result of low market returns during the applicable reporting period.

The decrease in 2022 was primarily attributable to a decrease in long-term debt and other obligations of $108,581,000 due to principal payments and a decrease in the long-term portion of the CARES Act Social Security employer tax deferral from the prior year. In addition, net pension liability decreased $33,479,000 as a result of high market returns during the applicable reporting period. Total other postemployment benefits obligations also decreased by $27,288,000.

Debt and Financing Activity

Institutional borrowing capacity is a valuable resource that is actively managed in support of the institutional mission. Total bonds, notes, and right-to-use obligations were $1,171,889,000 and $1,250,094,000 at June 30, 2023, and 2022, respectively (see Note 8, Other Liabilities).

The university had debt and financing activity related to bonds and notes occur within fiscal years ended June 30, 2023 and June 30, 2022 (see Note 9, Bonds and Notes Payable).

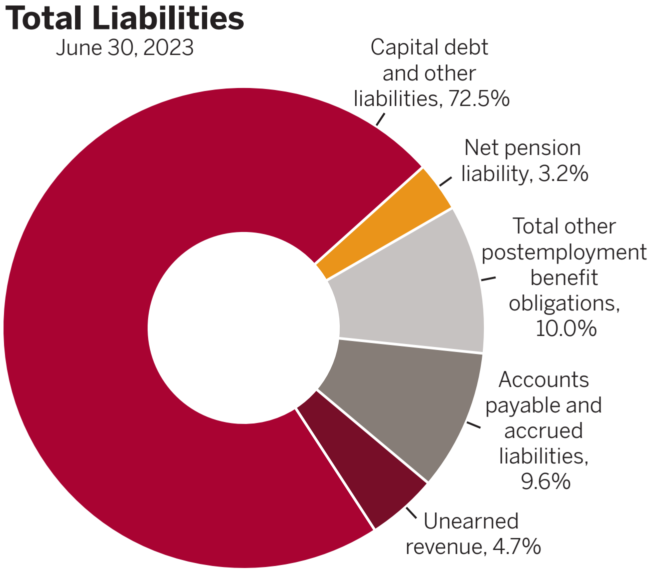
Commercial paper notes are issued by the university to provide for the temporary financing or refinancing of costs related to certain facilities on all the Indiana University campuses, including costs of issuance of the notes. The university has no credit facilities and no lines or letters of credit for repayment of commercial paper. The university has a self-liquidity backed commercial paper program which guarantees the payment of the maturity amount of any commercial paper notes that are not placed to investors. The university will not cause commercial paper maturities in an aggregate principal amount exceeding $50,000,000 to mature in any five-business-day period.

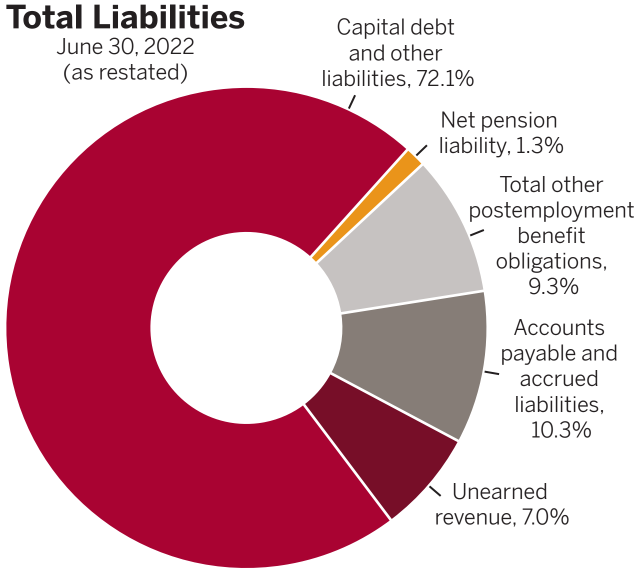
On August 4, 2021, Moody's Investors Service, in conjunction with its release of an updated higher education methodology, reaffirmed the university's underlying rating on all student fee bonds, consolidated revenue bonds, lease-purchase obligations, and certificates of participation as 'Aaa'. The university's commercial paper program carries a rating of P-1 from Moody's, which was reaffirmed on January 7, 2020. The university's outlook under Moody's Investors Service is stable. On May 11, 2023, S&P Global Ratings reaffirmed the university's 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 charts represent the composition of total liabilities as of June 30, 2023 and 2022:

Total Liabilities
(in thousands of dollars)

		June 30, 2023			*June 30, 2022 (as restated)*	
Accounts payable and accrued liabilities	$	173,236	9.6%	$	197,364	10.3%
Unearned revenue		84,440	4.7%		135,236	7.0%
Capital debt and other liabilities		1,311,343	72.5%		1,388,532	72.1%
Net pension liability		58,029	3.2%		24,801	1.3%
Total other postemployment benefit obligations		181,632	10.0%		179,008	9.3%
Total liabilities	**$**	**1,808,680**	**100.0%**	**$**	**1,924,941**	**100.0%**





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. Included in these amounts are lease receivables under GASB 87 (see Note 5, Lease Receivable), the net pension liability (see Note 12, Retirement Plans), and the OPEB liability (see Note 13, Postemployment Benefits).

Deferred inflows decreased $42,196,000, or 35%, and increased $44,944,000, or 60%, in 2023 and 2022, respectively. Changes in deferred inflows are related to the difference between projected and actual earnings on pension plan and OPEB investments, changes in actuarial assumptions, and changes related to lease receivable under GASB 87.

Clock tower in McCullough Plaza
IU Southeast Campus

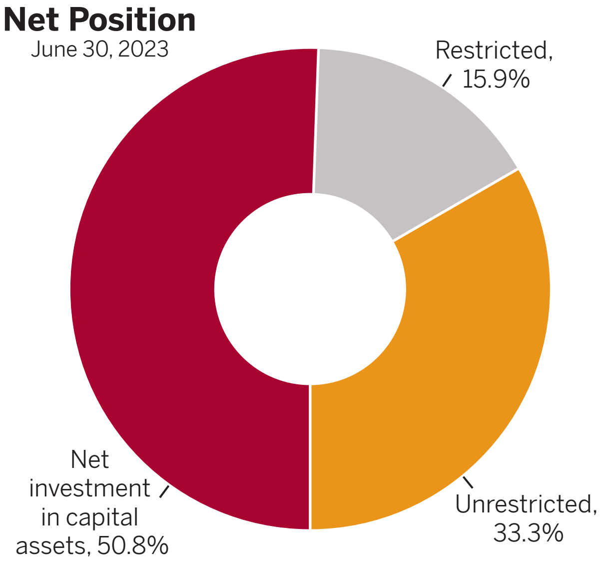
Net Position

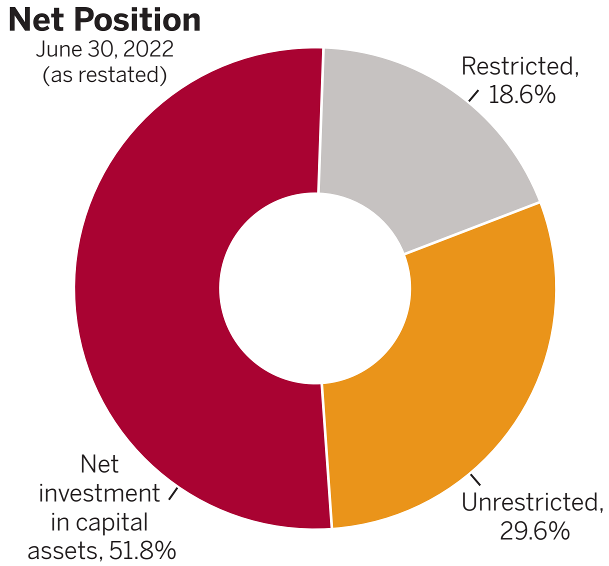
Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into three major categories:

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

The following table and charts represent the composition of net position as of June 30, 2023 and 2022:

Net Position *(in thousands of dollars)*						
		June 30, 2023			*June 30, 2022 (as restated)*	
Net investment in capital assets	$	2,655,593	50.8%	$	2,581,396	51.8%
Restricted		831,813	15.9%		928,679	18.6%
Unrestricted		1,736,389	33.3%		1,470,862	29.6%
Total net position	**$**	**5,223,795**	**100.0%**	**$**	**4,980,937**	**100.0%**





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 $74,197,000, or 3%, and $38,828,000, or 1%, in 2023 and 2022, respectively. Growth in this area is managed according to the university's long-range capital plans.

Restricted net position decreased $96,866,000, or 10%, and increased $423,005,000, or 84%, in 2023 and 2022, respectively. The decrease in 2023 was primarily due to a decrease in construction funds and projects. The increase in 2022 was primarily due to increased endowment funds and a $416,000,000 gift from IU Health.

Unrestricted net position is subject to internal designations and commitments for academic and research initiatives, capital projects, and unrestricted quasi- and term-endowment spending plans.

Unrestricted net position represents resources available for ongoing operational needs and for funding ongoing obligations, as well as providing flexibility to support the university's mission in changing economic environments. Unrestricted net position increased $265,527,000, or 18%, and decreased $9,607,000, or 1%, in 2023 and 2022, respectively.

Net position increased $242,858,000, or 5%, in 2023 and increased $452,226,000, or 10%, in 2022. Net position at June 30, 2023, was $5,223,795,000.

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 revenues. 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.

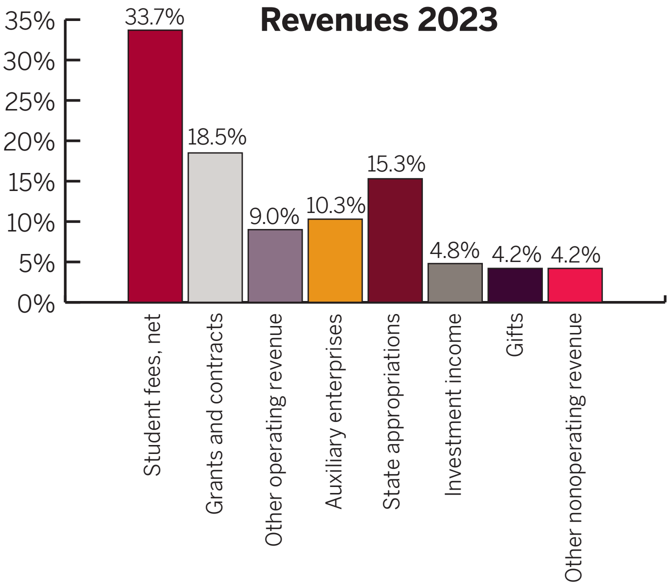
Operating expenses are those incurred to carry out the normal operations of the university. Indiana University, as a public university, is required by GASB standards to report certain revenue sources that are an integral part of operations as nonoperating revenues.

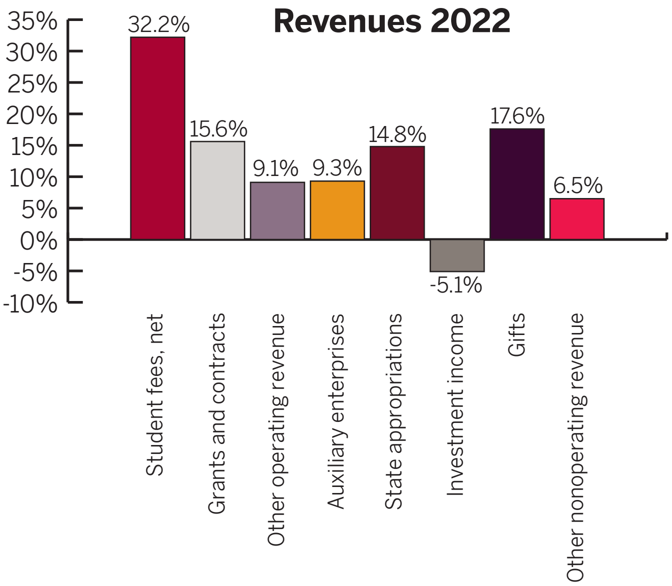
A summarized comparison of the university's revenues, expenses, and changes in net position is presented below:

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

	Fiscal Year Ended		
	June 30, 2023	*June 30, 2022 (as restated)*	*June 30, 2021*
Operating revenues	$ 2,836,932	$ 2,640,092	$ 2,431,302
Operating expenses	(3,690,143)	(3,503,263)	(3,264,684)
Total operating loss	**(853,211)**	**(863,171)**	**(833,382)**
Nonoperating revenues	1,106,981	1,529,213	1,272,553
Nonoperating expenses	(35,185)	(239,541)	(26,725)
Income before other revenues, expenses, gains, or losses	**218,585**	**426,501**	**412,446**
Other revenues	24,273	25,725	31,154
Increase in net position	**242,858**	**452,226**	**443,600**
Net position, beginning of year	4,980,937	4,528,711	4,085,111
Net position, end of year	**$ 5,223,795**	**$ 4,980,937**	**$ 4,528,711**

The following charts represent revenues by major source for fiscal years 2023 and 2022:





Operating revenues increased $196,840,000 or 7%, and increased $208,790,000, or 9%, during 2023 and 2022, 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 $48,880,000 and $41,382,000 during 2023 and 2022, 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 increased by 1.00% for the Bloomington and Indianapolis campuses and 1.45% for the Regional campuses for both the 2022-2023 and 2021-2022 academic years. For the 2023-2024 academic year, resident undergraduate tuition increases by 3% for all campuses. These increases remain below the rate of inflation and further demonstrate Indiana University's commitment to affordability. The revenue from these modest increases will go to further the university's efforts to recruit and retain an excellent faculty and to support student success. Total operating grant and contract revenues increased $118,405,000, or 19%, and increased $37,657,000, or 6%, during 2023 and 2022, respectively. Sales and services of education units and other revenue, including hospital and practice plan support for School of Medicine research and other initiatives, decreased $5,223,000, or 1%, and increased $8,256,000, or 2%, for 2023 and 2022, respectively. Auxiliary enterprises increased $34,778,000, or 9%, and increased $121,495,000, or 48%, in 2023 and 2022, respectively, both primarily due to the increased activity from resuming normal operations after the pandemic.

Operating expenses increased $186,880,000, or 5%, and increased $238,579,000, or 7%, in 2023 and 2022, respectively (see Note 14, Functional Expenses). Compensation and benefits, at 64% of total operating expenses in 2023, represents the largest single university expense. Compensation and benefits expense increased $171,791,000, or 8%, and increased $63,176,000, or 3%, in 2023 and 2022, respectively. The increase in 2023 was primarily attributable to increases in benefit costs, headcount, and wages. The increase in 2022 was primarily attributable to returning to normal operations after the pandemic. The university experienced temporary declines in both personnel and compensation during 2021 due to the pandemic. University benefit plans play a significant role in attracting and retaining employees and the university has implemented initiatives in recent years to control costs without compromising the competitiveness of the benefit package. The university closely monitors benefit plan costs, trends, and benchmarks and implements

Bells inside the Arthur Metz Bicentennial Grand Carillon
IU Bloomington Campus

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. Of those enrolled in the health plan, approximately 93% of employees were enrolled in a HDHP in 2023.

The combination of student financial aid expense and scholarship allowances decreased $67,348,000, or 12%, and increased $70,250,000, or 14%, and totaled $507,122,000 and $574,470,000 in 2023 and 2022, respectively. Travel expenses increased $26,292,000, or 85%, and increased $21,288,000, or 221%, in 2023 and 2022, respectively. The increases in both 2023 and 2022 travel expenses were due to increased travel activities, as operations began to normalize post-pandemic, coupled with high inflation rates. Supplies and general expenses increased $64,668,000, or 9%, and increased $63,822,000, or 11%, in 2023 and 2022, respectively. In addition to payment timing differences, the fluctuations in 2023 and 2022 were spread primarily across auxiliary enterprise, research, academic instruction, and capital facilities functions.

Net nonoperating revenues decreased $217,876,000, or 17%, and increased $43,844,000, or 4%, in 2023 and 2022, respectively. Investment income increased $394,734,000, or 195%, and decreased $570,150,000, or 155%, in 2023 and 2022, respectively. In 2023, the allocation to equities contributed to investment performance, as stocks experienced significant growth worldwide due to easing inflationary pressures and slower interest rate growth. IU's equity investments appreciated 17.3% in fiscal year 2023 after a loss of 15.4% in fiscal year 2022. Interest rates rose in fiscal year 2023, but slower than in fiscal year 2022 as inflation eased. IU's fixed income investments experienced a return of approximately 2.5%. Overall, IU's operating investments increased 7.3% in fiscal year 2023, compared to a decrease of 10.1% in fiscal year 2022. The decrease in fiscal year 2022 net nonoperating revenue was partially offset by gift revenue, which increased by $569,412,000. This was primarily due to a $416,000,000 gift from IU Health to further its mission and work in the community and across the state of Indiana and a $150,000,000 gift from IU Foundation. Grants, contracts, and other awards decreased $92,264,000, or 39% and increased $26,719,000, or 13% in 2023 and 2022, respectively. The decrease in 2023 was primarily due to fluctuations in HEERF funding as 2023 experienced a decrease in funding from the prior fiscal year. 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 increased $13,302,000, or 2%, and increased $28,706,000, or 5%, in 2023 and 2022, respectively. The state of Indiana is the university's second largest source of funding.

The university recognized $17,158,000 and $19,481,000 in capital appropriations for repairs, renovations, and improvements across all campuses in 2023 and 2022, respectively. Capital appropriations and capital gifts and grants fluctuate according to the availability of capital appropriations and the timing of funding 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 provided by (used in) operating activities.

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

Condensed Statement of Cash Flows
(in thousands of dollars)

	Fiscal Year Ended		
	June 30, 2023	*June 30, 2022 (as restated)*	*June 30, 2021*
Net cash provided by (used in):			
Operating activities	$ (739,443)	$ (666,722)	$ (666,439)
Noncapital financing activities	911,964	1,532,656	907,612
Capital and related financing activities	(356,427)	(292,472)	(382,468)
Investing activities	56,146	(610,506)	(105,848)
Net increase (decrease) in cash and cash equivalents (including restricted)	**(127,760)**	**(37,044)**	**(247,143)**
Beginning cash and cash equivalents (including restricted)	290,885	327,929	575,072
Ending cash and cash equivalents (including restricted)	**$ 163,125**	**$ 290,885**	**$ 327,929**

The university's cash and cash equivalents, including restricted cash, decreased $127,760,000 and decreased $37,044,000 in 2023 and 2022, 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 nonoperating cash, as defined by GASB, include state appropriations, federal Pell grants, and private noncapital gifts 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

Continuing the trend from fiscal year 2022, state revenue collections continue to outpace estimates. For fiscal year 2023, revenue did exceed state estimates by $24,600,000 based on April 2023 projections, however, year over year growth declined by $132,500,000, a 0.6% reduction in general fund revenue. For fiscal year 2022, the state generated $1,240,000,000 more in overall revenue than estimated, much higher than state projections in December 2021.

For fiscal year 2023, positive drivers of the excess revenue included individual income tax, which was $14,600,000 higher than estimates, corporate tax collection which was $40,900,000 higher than estimates, and interest earnings which was $57,200,000 higher than estimates. Sales tax revenues missed estimates by $65,800,000, and other smaller revenue sources for the state were $29,900,000 less than estimates (gaming taxes, cigarette taxes, and vehicle use taxes).

Comparing fiscal year 2022 to fiscal year 2023, the $132,500,000 revenue variance was primarily driven by lower revenues within individual income tax of $605,400,000 and corporate tax of $309,000,000. This was partially offset by increases in sales tax revenue of $473,700,000, gaming revenue of $39,900,000, and interest earnings of $253,300,000. Residual impact from the pandemic in Indiana, federal spending, federal stimulus funds and Indiana taxpayer refunds, along with stabilizing revenues back to historic trends account for the majority of the fluctuations in Indiana's general fund revenue.

While the state's general fund surplus ended fiscal year 2022 with $6,100,000,000 in reserves, fiscal year 2023 reserves ended the year with $2,900,000,000 in reserve funds. The $2,900,000,000 represents approximately 13.6% of the net combined reserve balance as a percentage of the fiscal year 2023 operating budget. The significant change in the reserve balance year over year was driven by one-time spending of $3,100,000,000 in fiscal year 2023, primarily on state capital projects and capital project overruns due to inflation and supply chain issues. The state targets between an 11% to 14% reserve in its general fund, which places the State in a strong financial position. With the recent passage of the fiscal year 2023 through 2025 budget in April 2023, future fiscal years hold reserves at the 13% level, or around $2,900,000,000 each fiscal year.

The Sample Gates
IU Bloomington Campus

STATEMENT OF NET POSITION

(in thousands of dollars)	Indiana University		Discretely Presented Component Units	
	June 30, 2023	June 30, 2022 (as restated)	June 30, 2023	June 30, 2022
Assets				
Current assets				
Cash and cash equivalents	$ 151,903	$ 273,003	$ 126,703	$ 140,302
Collateral under securities lending agreement	–	–	23,214	16,066
Accounts receivable, net	171,477	147,352	59,527	77,707
Current portion of notes receivable	9,147	11,948	–	–
Current portion of lease receivable	2,653	1,906	–	–
Short-term investments	312,507	259,906	–	–
Other assets	44,519	44,729	418	344
Total current assets	**692,206**	**738,844**	**209,862**	**234,419**
Noncurrent assets				
Restricted cash and cash equivalents	11,222	17,882	–	–
Notes receivable	34,627	34,504	–	–
Accounts receivable, net	–	–	232,143	249,134
Lease receivable	13,192	11,633	–	–
Investments	2,470,847	2,331,119	4,465,458	4,282,959
Capital assets, net	3,810,550	3,811,412	81,994	80,123
Other assets	–	–	39,851	36,474
Total noncurrent assets	**6,340,438**	**6,206,550**	**4,819,446**	**4,648,690**
Total assets	**7,032,644**	**6,945,394**	**5,029,308**	**4,883,109**
Deferred outflows of resources	**77,020**	**79,869**	**–**	**–**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	173,236	197,364	48,112	70,986
Current portion of unearned revenue	79,078	120,179	–	–
Collateral under securities lending agreement	–	–	23,214	16,066
Current portion of long-term debt and other obligations	190,591	212,803	324	312
Current portion of total other postemployment benefit obligations	17,632	21,269	–	–
Total current liabilities	**460,537**	**551,615**	**71,650**	**87,364**
Noncurrent liabilities				
Federal loans payable	47,659	49,650	–	–
Unearned revenue	5,362	15,057	–	–
Assets held for the University and Affiliates	–	–	521,606	516,970
Long-term debt and other obligations	1,073,093	1,126,079	158,114	158,410
Net pension liability	58,029	24,801	–	–
Total other postemployment benefit obligations	164,000	157,739	–	–
Other noncurrent liabilities	–	–	42,301	43,788
Total noncurrent liabilities	**1,348,143**	**1,373,326**	**722,021**	**719,168**
Total liabilities	**1,808,680**	**1,924,941**	**793,671**	**806,532**
Deferred inflows of resources	**77,189**	**119,385**	**–**	**–**
Net Position				
Net investment in capital assets	2,655,593	2,581,396	73,068	70,872
Restricted for:				
Nonexpendable - endowments	46,267	45,464	2,377,157	2,369,017
Expendable				
Scholarships, research, instruction, and other	519,369	601,173	1,114,691	1,107,923
Loans	26,256	23,552	–	–
Capital projects	222,923	241,641	156,829	152,236
Debt service	16,998	16,849	–	–
Unrestricted	1,736,389	1,470,862	513,892	376,529
Total net position	**$ 5,223,795**	**$ 4,980,937**	**$ 4,235,637**	**$ 4,076,577**

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(in thousands of dollars)	Indiana University		Discretely Presented Component Units	
	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 2023	**June 30, 2022 (as restated)**	**June 30, 2023**	**June 30, 2022**
Operating revenues				
Tuition and fees (net of scholarship allowance of $349,535 in 2023 and $332,073 in 2022)	$ 1,336,014	$ 1,287,134	$ –	$ –
Federal grants and contracts	515,467	435,419	73	–
State and local grants and contracts	33,337	23,743	–	–
Nongovernmental grants and contracts	188,155	159,392	20,301	19,614
Sales, services of educational units, and other revenue	356,682	361,905	24,607	26,809
Auxiliary enterprises (net of scholarship allowance of $50,035 in 2023 and $46,471 in 2022)	407,277	372,499	–	–
Total operating revenues	**2,836,932**	**2,640,092**	**44,981**	**46,423**
Operating expenses				
Compensation and benefits	2,377,627	2,205,836	53,507	47,023
Student financial aid	157,587	242,397	60,317	59,635
Energy and utilities	88,975	80,738	442	396
Travel	57,208	30,916	3,257	2,565
Supplies and general expense	806,076	741,408	224,119	359,474
Depreciation and amortization expense	202,670	201,968	3,711	3,798
Total operating expenses	**3,690,143**	**3,503,263**	**345,353**	**472,891**
Total operating loss	**(853,211)**	**(863,171)**	**(300,372)**	**(426,468)**
Nonoperating revenues (expenses)				
State appropriations	605,938	592,635	–	–
Grants and contracts	141,405	233,669	–	–
Investment income (loss)	192,816	(201,918)	177,928	(72,020)
Gifts	166,551	702,680	194,379	179,958
Interest income	271	229	–	–
Interest expense	(35,185)	(37,623)	(338)	(349)
Net nonoperating revenues	**1,071,796**	**1,289,672**	**371,969**	**107,589**
Income (loss) before other revenues, expenses, gains, or losses	**218,585**	**426,501**	**71,597**	**(318,879)**
Capital appropriations	17,158	19,481	–	–
Capital gifts and grants	6,766	2,611	–	–
Additions to permanent endowments	349	3,633	87,463	104,681
Total other revenues	**24,273**	**25,725**	**87,463**	**104,681**
Increase (decrease) in net position	**242,858**	**452,226**	**159,060**	**(214,198)**
Net position, beginning of year	4,980,937	4,528,711	4,076,577	4,290,775
Net position, end of year	**$ 5,223,795**	**$ 4,980,937**	**$ 4,235,637**	**$ 4,076,577**

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

(in thousands of dollars)	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022 (as restated)
Cash Flows from Operating Activities		
Student fees	$ 1,327,184	$ 1,288,116
Grants and contracts	677,084	614,865
Sales and services of educational activities, and other revenue	357,460	388,049
Auxiliary enterprise charges	404,251	379,367
Payments to employees	(2,378,390)	(2,223,284)
Payments to suppliers	(971,118)	(877,855)
Student financial aid	(159,198)	(241,955)
Student loans collected	9,499	10,108
Student loans issued	(6,243)	(3,516)
Direct lending receipts	491,456	480,974
Direct lending payments	(491,428)	(481,591)
Net cash used in operating activities	**(739,443)**	**(666,722)**
Cash Flows from Noncapital Financing Activities		
State appropriations	605,938	592,635
Nonoperating grants and contracts	141,405	233,669
Gifts and grants received for other than capital purposes	164,621	706,352
Net cash provided by noncapital financing activities	**911,964**	**1,532,656**
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	17,158	19,481
Capital grants and gifts received	8,369	614
Purchase of capital assets	(231,698)	(189,969)
Proceeds from issuance of capital debt, including refunding and other long-term obligations	13,463	24,272
Interest received on lease receivable	271	229
Payments received on lease receivable	2,838	1,614
Principal payments on capital debt	(88,814)	(66,585)
Principal paid on leases and subscriptions	(34,506)	(36,162)
Interest paid on capital debt, leases, and subscriptions	(43,508)	(45,966)
Net cash used in capital and related financing activities	**(356,427)**	**(292,472)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,269,711	2,273,498
Investment income	77,925	41,985
Purchases of investments	(3,291,490)	(2,925,989)
Net cash provided by (used in) investing activities	**56,146**	**(610,506)**
Net decrease in cash and cash equivalents (including restricted)	**(127,760)**	**(37,044)**
Cash and cash equivalents (including restricted), beginning of year	290,885	327,929
Cash and cash equivalents (including restricted), end of year	**$ 163,125**	**$ 290,885**

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

(continued from previous page)

Reconciliation of cash and cash equivalents to the Statement of Net Position:

(in thousands of dollars)	Fiscal Year Ended	
	June 30, 2023	**June 30, 2022**
Cash and cash equivalents in current assets	$ 151,903	$ 273,003
Restricted cash and cash equivalents	11,222	17,882
Total cash and cash equivalents	**$ 163,125**	**$ 290,885**

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

(in thousands of dollars)	Fiscal Year Ended	
	June 30, 2023	**June 30, 2022 (as restated)**
Operating loss	$ (853,211)	$ (863,171)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Amortization of deferred inflows lease receivable	(3,134)	(1,931)
Depreciation and amortization expense	202,670	201,968
Loss on disposal of capital assets	2,177	1,301
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	(20,584)	29,143
Other assets	9,551	6,395
Notes receivable	2,679	6,086
Accounts payable and accrued liabilities	(24,102)	2,300
Unearned revenue	(50,796)	8,238
Federal loans payable	(1,990)	(5,431)
Net pension liability and related deferred outflows and inflows	(2,568)	(12,853)
Postemployment benefits liability and related deferred outflows and inflows	(4,282)	(6,457)
Other noncurrent liabilities	4,147	(32,310)
Net cash used in operating activities	**$ (739,443)**	**$ (666,722)**

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

Supplemental Noncash Activities Information

The university had significant noncash activities related to right-to-use assets acquired with right-to-use obligations of $41,357,000 and $43,086,000 during fiscal years ended June 30, 2023 and 2022, respectively.

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 2023 and 2022 represent the fiscal year ended June 30, 2023 and 2022, respectively. The university's 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.

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

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

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 UNITS: 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. As a tax-exempt organization that would be misleading to exclude, the IU Foundation is considered a component unit of the university, which requires discrete presentation.

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 $182,236,000 and $316,587,000 to the university during fiscal years 2023 and 2022, 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.

The James Whitcomb Riley Memorial Association, Inc., d/b/a Riley Children's Endowment (Riley) is organized as a not-for-profit corporation under the laws of the State of Indiana to fund and support the Riley Hospital for Children, fund medical research dedicated to the treatment and care of disabled and sick children in conjunction with the Riley Hospital, and securing and maintaining endowment funds to benefit children and other initiatives. The university has the ability to appoint the voting majority of Riley's board of directors and to remove appointed directors of Riley's board at will. As a result, Riley is considered a component unit of the university, which requires discrete presentation.

Riley 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 asset and revenue recognition criteria and presentation features differ from GASB asset and revenue recognition criteria and presentation features. No modifications have been made to the Riley's financial information in the university's financial reporting to adjust for these differences. Complete financial statements for Riley can be obtained from: 500 North Meridian Street, Suite 100, Indianapolis, IN 46204-3509.

The IU Medical Group Foundation, Inc. (IUMG) is organized as a not-for-profit corporation under the laws of the State of Indiana to acquire, manage, and distribute funds for the benefit of the Indiana University School of Medicine and Indiana University Health Care Associates. The university has the ability to appoint the voting majority of IUMG's board of directors, and there is a financial benefit relationship with IUMG. As a result, IUMG is considered a component unit of the university, which requires discrete presentation.

IUMG 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 asset and revenue recognition criteria and presentation features differ from GASB asset and revenue recognition criteria and presentation features. No modifications have been made to the IUMG's financial information in the university's financial reporting to adjust for these differences. Complete financial statements for IUMG can be obtained from: 340 W 10th St # Fs5100, Indianapolis, IN 46202.

The Regenstrief Institute, Inc. ("Institute") is organized as a not-for-profit corporation under the laws of the State of Indiana to integrate research discovery, technological advances, and systems improvement into the practice of medicine. The university has the ability to appoint the voting majority of the Institute's board of directors and to remove appointed directors of the Institute's board at will. As a result, the Institute is considered a component unit of the university, which requires discrete presentation.

The Institute 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 asset and revenue recognition criteria and presentation features differ from GASB asset and revenue recognition criteria and presentation features. No modifications have been made to the Institute's financial information in the university's financial reporting to adjust for these differences. Complete financial statements for the Institute can be obtained from: 1101 West 10th Street, Indianapolis, IN 46202.

BLENDED COMPONENT UNITS: 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.

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.

LEASE RECEIVABLES: The university is a lessor for noncancelable leases of tangible property. The university recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the university initially measures the lease receivable at the present value of fixed payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term. The university monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Key estimates and judgments include how the university determines the lease term and the discount rate it uses to discount the expected lease receipts to present value. The lease term includes the noncancelable period of the lease. The university uses the actual rate charged to lessees as the discount rate for leases. When the interest rate is not provided in the agreement, the university generally uses an estimated incremental borrowing rate as the discount rate.

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.

Portal for the Agrarian sculpture
IU East Campus

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.

DONOR RESTRICTED ENDOWMENTS: Under Indiana law set forth in Indiana code 30-2-12, Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Board acts in a fiduciary capacity with respect to its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the university and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds.

The majority of the university endowment and quasi-endowment funds are invested in the IU Foundation's Pooled Long-Term and Short-Term funds. The spending policy of the IU Foundation is to distribute 4.5%, banded for inflation, of the twelve-quarter rolling average of pooled long-term fund share values multiplied by the current number of shares held. For university endowment and quasi-endowment funds not held at IU Foundation, the university uses a spending policy that mirrors the IU Foundation spending policy.

The amounts of net appreciation on investments of donor-restricted endowments that are available for expenditure are $31,384,000 and $44,966,000 as of June 30, 2023 and 2022, respectively. These amounts are reported as restricted, expendable for scholarships, research, instruction, and other 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. Right-to-use assets, which include lease assets and subscription assets are recorded at the present value of the contract payments. 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. Subscription assets are capitalized if the present value of the contract payments is $100,000 or more. Interest costs incurred during construction are expensed. 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. Right-to-use assets are amortized over the term of the contract, which is typically between two to forty years. 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.

RIGHT-TO-USE ASSETS AND OBLIGATIONS:
The university recognizes right-to-use obligations and intangible right-to-use assets in the financial statements stemming from leases of tangible property and subscriptions of intangible information technology assets. Right-to-use obligations are reported with long-term debt and other obligations on the statement of net position, and right-to-use assets are reported with other capital assets.

At the commencement of a lease, the university initially measures the lease obligation at the present value of payments expected to be made during the lease term composed of fixed payments and purchase option price that the university reasonably expects to exercise. Subsequently, the lease obligation is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease obligation, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over 1) its remaining useful life if transfer of ownership is expected at the end of the term, or 2) shorter of the contract term or remaining useful life. For nondepreciable assets, such as land, the right-to-use asset is not amortized.

At the commencement of a subscription, the university initially measures the subscription obligation at the present value of fixed payments expected to be made during the subscription term. Subsequently, the subscription obligation is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription obligation, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over the subscription term.

The university monitors changes in circumstances that would require a remeasurement of its right-to-use obligations and will remeasure the right-to-use asset and obligation if certain changes occur that are expected to significantly affect the amount of the obligation.

Key estimates and judgments related to right-to-use obligations include how the university determines the contract term and the discount rate it uses to discount the expected subscription payments to present value. The term includes the noncancelable period of the contract. The university uses the interest rate charged by the lessor or vendor as the discount rate. When the interest rate charged is not provided, the university generally uses an estimated incremental borrowing rate as the discount rate.

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, 2023*	*June 30, 2022*
Accumulated deferred charges on refundings of capital debt	$ 5,944	$ 7,370
Net pension liability under GASB No. 68, *Accounting and Financial Reporting for Pensions* (see Note 12, Retirement Plans)	23,167	21,861
Total OPEB liability under GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (see Note 13, Postemployment Benefits)	47,909	50,638
Total deferred outflows of resources	**$ 77,020**	**$ 79,869**

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 are received in advance of providing services. 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, 2023*	*June 30, 2022*
Lease receivable under GASB No. 87, *Leases*	$ 14,821	$ 12,892
Net pension liability under GASB No. 68, *Accounting and Financial Reporting for Pensions* (see Note 12, Retirement Plans)	8,044	42,534
Total OPEB liability under GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (see Note 13, Postemployment Benefits)	54,324	63,959
Total deferred inflows of resources	**$ 77,189**	**$ 119,385**

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 net of scholarship discounts and allowances 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.

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED: During the fiscal year ending June 30, 2023, the university adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, with an implementation date of July 1, 2021. As a result, the Statement of Net Position now includes a liability for the present value of payments expected to be made and subscription-based IT assets. Subscription activity is further described in Note 10, Right-to-Use Assets and Obligations. The adoption of GASB 96 resulted in the recognition of subscription-based IT assets and liabilities in the amount of $17,480,000 as of July 1, 2021.

The financial statements for the year ended June 30, 2022, have been restated to reflect the adoption of GASB 96.

Science and Engineering Laboratory Building
IUPUI Campus

The effect of this new standard on the Statement of Net Position was as follows:

(dollar amounts presented in thousands)

	June 30, 2022 as previously reported	*GASB 96 adoption*	***June 30, 2022 as restated***
Other assets	49,400	(4,671)	**44,729**
Capital assets, net	3,783,924	27,488	**3,811,412**
Accounts payable and accrued liabilities	197,318	46	**197,364**
SBITA obligations	–	21,877	**21,877**
Net position	4,980,043	894	**4,980,937**

The effect of this new standard on the Statement of Revenues, Expenses, and Changes in Net Position was as follows:

(dollar amounts presented in thousands)

	Fiscal year ended June 30, 2022 as previously reported	*GASB 96 adoption*	***Fiscal year ended June 30, 2022 as restated***
Supplies and general expense	754,316	(12,908)	**741,408**
Depreciation and amortization expense	190,006	11,962	**201,968**
Interest expense	37,571	52	**37,623**

Effective for fiscal year ended June 30, 2023, the university adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement establishes standards of accounting and financial reporting for public-private and public-public partnerships and availability payment arrangements for governments. The adoption of this guidance by the university did not have a significant impact on its financial statements.

Effective for fiscal year ended June 30, 2023, the university adopted paragraphs 11 through 25 of GASB Statement No. 99, *Omnibus 2022*. These provisions establish or amend accounting and financial reporting requirements for specific issues related to leases, public-public and public-private partnerships (PPPs), and subscription-based information technology arrangements (SBITAs). The adoption of this guidance by the university did not have a significant impact on its financial statements.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED: The university will be required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for fiscal year ending June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The university is in the process of determining the full impact of this standard on its financial statements.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the university 's financial statements for the year ending June 30, 2025.

RECLASSIFICATIONS: Certain reclassifications have been made to prior year statements for comparative purposes, which includes reclassifying the $59,088,000 current portion of compensated absences balance from accounts payable and accrued liabilities to current portion of long-term debt and other obligations for fiscal year ending June 30, 2022. This reclassification resulted in the accrual for compensated absences being removed from Note 7, Accounts Payable and Accrued Liabilities.

Compensated Absences are still further described in Note 8, Other Liabilities.

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 ensure 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, 2023 and 2022, the university had deposits and investments, including endowment funds, as shown below:

(dollar amounts presented in thousands)

	June 30, 2023	*June 30, 2022*
Cash and cash equivalents	$ 151,903	$ 273,003
Short-term investments	312,507	259,906
Restricted cash and cash equivalents	11,222	17,882
Investments	2,470,847	2,331,119
Total deposits and investments	**$ 2,946,479**	**$ 2,881,910**

CUSTODIAL CREDIT RISK – DEPOSITS: The combined bank balances of the university's demand deposits were $14,363,000 and $8,526,000 with balances subject to custodial credit risk in the amount of $10,144,000 and $4,594,000 at June 30, 2023 and 2022, respectively. Of this amount, $6,982,000 and $1,926,000 was uninsured and uncollateralized at June 30, 2023 and 2022, respectively, while $3,162,000 and $2,668,000 was uninsured and collateralized with securities held by the pledging financial institution at June 30, 2023 and 2022, 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 $720,000 and $1,110,000 exposed to custodial credit risk at June 30, 2023 and 2022, respectively. The university had $10,098,000 and $15,289,000 where custodial credit risk could not be determined at June 30, 2023 and 2022, 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, 2023:

(dollar amounts presented in thousands)

	Fair Value	Maturities (in years)			
Investment Type	*June 30, 2023*	*Less than 1*	*1–5*	*6-10*	*More than 10*
Corporate bonds	$ 449,866	$ 98,123	$ 244,739	$ 71,712	$ 35,292
Government bonds	351,949	61,301	105,911	64,464	120,273
Asset-backed securities	342,990	6,732	171,608	41,008	123,642
Government issued asset-backed securities	168,628	452	5,474	5,399	157,303
Other fixed income funds	64,200	248	5,468	69	58,415
Total	**1,377,633**	**$ 166,856**	**$ 533,200**	**$ 182,652**	**$ 494,925**
Investments not subject to interest rate risk:					
U.S. equities	621,755				
External investment pools	483,180				
Money market funds	229,522				
International equities	181,548				
All other	52,841				
Total investments	**$ 2,946,479**				

The university had fixed-rate debt securities with the following maturities at June 30, 2022:

(dollar amounts presented in thousands)

	Fair Value	Maturities (in years)			
Investment Type	*June 30, 2022*	*Less than 1*	*1–5*	*6-10*	*More than 10*
Corporate bonds	$ 551,065	$ 118,944	$ 311,609	$ 78,865	$ 41,647
Government bonds	376,795	77,173	95,944	69,362	134,316
Asset-backed securities	307,736	18,577	141,976	39,665	107,518
Government issued asset-backed securities	116,358	2,309	3,883	3,996	106,170
Other fixed income funds	77,522	–	8,632	2,224	66,666
Total	**1,429,476**	**$ 217,003**	**$ 562,044**	**$ 194,112**	**$ 456,317**
Investments not subject to interest rate risk:					
U.S. equities	522,711				
External investment pools	478,994				
Money market funds	276,926				
International equities	161,592				
All other	12,211				
Total investments	**$ 2,881,910**				

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 'A+/A1' for Defensive Managers, 'A/A2' for Core Plus Managers, or as specified in each manager's guidelines.

The credit ratings for the university's investments subject to credit risk as of June 30, 2023 are shown below:

(dollar amounts presented in thousands)

Investment Type	*Fair Value*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Below BB*	*Not Rated*
Corporate bonds	$ 449,866	$ 1,460	$ 20,195	$ 183,652	$ 205,450	$ 30,357	$ 5,140	$ 3,612
Government bonds	351,949	43,841	284,943	1,555	16,381	1,541	1,014	2,674
Asset-backed securities	342,990	286,459	15,436	6,393	3,901	618	2,103	28,080
Money market funds	229,522	156,751	–	–	–	–	–	72,771
Government issued asset-backed securities	168,628	7,082	150,244	6,979	4,286	37	–	–
Other fixed income funds	64,200	–	–	–	476	1,572	3,381	58,771
Total	**1,607,155**	**$495,593**	**$470,818**	**$198,579**	**$230,494**	**$ 34,125**	**$ 11,638**	**$165,908**
Percentage subject to credit risk		**30.84%**	**29.30%**	**12.36%**	**14.34%**	**2.12%**	**0.72%**	**10.32%**
Not subject to credit risk	1,339,324							
Total investments	**$2,946,479**							

The credit ratings for the university's investments subject to credit risk as of June 30, 2022 are shown below:

(dollar amounts presented in thousands)

Investment Type	*Fair Value*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Below BB*	*Not Rated*
Corporate bonds	$ 551,065	$ 8,305	$ 18,615	$209,070	$ 268,240	$ 39,355	$ 5,724	$ 1,756
Government bonds	376,795	62,315	284,269	4,965	19,216	1,925	1,413	2,692
Money market funds	307,736	235,272	12,920	9,729	3,805	1,231	3,121	41,658
Asset-backed securities	276,926	260,306	–	–	–	–	–	16,620
Government issued asset-backed securities	116,358	9,566	95,059	4,203	7,290	–	240	–
Other fixed income funds	77,522	–	–	–	680	4,011	4,939	67,892
Total	**1,706,402**	**$ 575,764**	**$410,863**	**$227,967**	**$ 299,231**	**$ 46,522**	**$ 15,437**	**$130,618**
Percentage subject to credit risk		**33.74%**	**24.08%**	**13.36%**	**17.54%**	**2.73%**	**0.90%**	**7.65%**
Not subject to credit risk	1,175,508							
Total investments	**$ 2,881,910**							

Bryan House, the Tobias Pavilion, and the Conrad Prebys Amphitheater
IU Bloomington Campus

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 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, 2023 and 2022, the university had insignificant amounts of deposits and investments exposed to foreign currency risk.

ENDOWMENTS: University endowment funds are managed pursuant to an Investment Agency Agreement between The Trustees of Indiana University and the IU Foundation dated November 14, 2005, which delegates investment management responsibilities to the IU Foundation. University endowment and quasi-endowment funds are invested in the IU Foundation's Pooled Long-Term and Short-Term Funds which is considered an external investment pool to the university. This external investment pool is not registered with the Securities and Exchange Commission. The Investment Committee of the IU Foundation Board of Directors oversees the pool. At June 30, 2023 and 2022, all university endowment funds 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 pooled shares.

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. Certain money market funds are excluded as they are valued at amortized cost, totaling $163,125,000 and $290,885,000 at June 30, 2023 and 2022, respectively. The university had the following recurring fair value measurements as of June 30, 2023:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2023	*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				
Collateralized obligations and mortgage-backed securities	$ 511,683	$ –	$ 508,721	$ 2,962
Corporate bonds	449,866	–	446,966	2,900
Government bonds	414,165	39,262	374,903	–
Commingled funds	58,415	53,346	–	5,069
Notes, deposits and commercial paper	34,974	–	34,974	–
Inflation index-linked notes	7,785	–	7,785	–
Bank loans	5,785	–	5,785	–
Municipal and provincial bonds	3,382	–	3,382	–
Total debt securities	**1,486,055**	**92,608**	**1,382,516**	**10,931**
Equity securities	803,303	803,303	–	–
Real estate	6,269	–	–	6,269
All other	8,355	–	8,355	–
Total investments by fair value level	**2,303,982**	**$ 895,911**	**$ 1,390,871**	**$ 17,200**
Investments measured at the net asset value (NAV):				
External investment pool	479,152			
Venture capital	220			
Total investments measured at the NAV	**479,372**			
Total investments measured at fair value	**$ 2,783,354**			

The university had the following recurring fair value measurements as of June 30, 2022:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2022	*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	$ 551,065	$ –	$ 551,065	$ –
Collateralized obligations and mortgage-backed securities	393,232	–	392,261	971
Government bonds	371,522	60,018	311,504	–
Commingled funds	57,246	4,072	53,174	–
Notes, deposits and commercial paper	11,031	–	11,031	–
Bank loans	10,856	–	10,856	–
Municipal and provincial bonds	8,921	–	8,921	–
Inflation index-linked notes	6,145	–	6,145	–
Total debt securities	**1,410,018**	**64,090**	**1,344,957**	**971**
Equity securities	684,303	684,303	–	–
Real estate	6,269	–	–	6,269
All other	3,389	–	3,389	–
Total investments by fair value level	**2,103,979**	**$ 748,393**	**$ 1,348,346**	**$ 7,240**
Investments measured at the net asset value (NAV):				
External investment pool	477,444			
Commingled funds	9,421			
Venture capital	181			
Total investments measured at the NAV	**487,046**			
Total investments measured at fair value	**$ 2,591,025**			

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. Changes in valuation techniques, if any, from prior year did not have a significant impact.

Debt securities classified in Level 1 at June 30, 2023 and 2022, are valued using unadjusted quoted prices in active markets for those securities.

The fair value of debt securities at June 30, 2023 and 2022, 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.

View from inside the Rose Well House
IU Bloomington Campus

The fair value of debt securities at Level 3 at June 30, 2023 and 2022, 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, 2023 and 2022, are valued using unadjusted quoted prices in active markets for those securities.

The university holds several parcels of real estate for investment purposes. The fair values of these properties are based on appraisals.

The fair value of all other investments at June 30, 2023 and 2022, are determined primarily based on Level 2 inputs. The university estimates the fair value of these investments using observable, market-based inputs.

The university holds shares or interests in commingled funds where the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment company as a practical expedient. There is no unfunded commitment, and the investments can be redeemed twice a month with a 15-day redemption notice period.

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, 2023 and 2022. This investment cannot be redeemed until the earlier of December 31, 2024, or one year after the date on which all of the fund's investments have been liquidated.

The fair value of the external investment pool at June 30, 2023 and 2022, is determined using a monthly valuation assigned to the shares of the pool which is a net asset value per share equivalent. There is no unfunded commitment, and the investments can be redeemed daily with no redemption notice period. A significant portion of the investment pool, approximately $474,714,000 and $473,479,000 respectively at June 30, 2023 and 2022, was held at the IU Foundation. The fair value hierarchy of the foundation's investments is included in the aggregate discretely presented component unit table below.

The aggregate discretely presented component units had the following recurring fair value measurements as of June 30, 2023:

(dollar amounts presented in thousands)

		Fair Value Measurements Using			
	June 30, 2023	*Level 1*	*Level 2*	*Level 3*	*NAV*
Investments by fair value level:					
Cash equivalents	$ 35,913	$ 33,837	$ 2,076	$ –	$ –
Equities:					
Domestic	754,692	670,947	964	–	82,781
International	632,544	164,873	–	–	467,671
Mutual funds	78,146	78,146	–	–	–
Commingled funds	80,512	–	–	–	80,512
Fixed income:					
Domestic	295,193	63,082	150,788	–	81,323
US government	101,994	99,654	2,340	–	–
Corporate bonds	89,863	86,409	3,454	–	–
International	47,822	10,122	34,500	–	3,200
Mutual funds	14,667	14,667	–	–	–
Other fixed income	34,721	4,671	–	–	30,050
Real estate	27,176	9,143	–	18,033	–
Alternative investments:					
Hedged equity funds	116,816	–	–	–	116,816
Absolute return funds	426,658	–	–	5,539	421,119
Venture capital	459,229	–	–	–	459,229
Buyouts	436,119	–	–	–	436,119
Distressed/special situations	96,794	–	–	–	96,794
Real estate/real assets	340,884	–	–	6,527	334,357
Alternative fixed income	157,183	–	–	–	157,183
Natural resources	180,641	–	–	–	180,641
Beneficial interests in trust	50,565	–	–	50,565	–
Total investments	**4,458,132**	**$ 1,235,551**	**$ 194,122**	**$ 80,664**	**$ 2,947,795**
Other assets	35,303				
Total investments and other assets	**$ 4,493,435**				

The aggregate discretely presented component units had the following recurring fair value measurements as of June 30, 2022:

(dollar amounts presented in thousands)

		Fair Value Measurements Using			
	June 30, 2022	*Level 1*	*Level 2*	*Level 3*	*NAV*
Investments by fair value level:					
Cash equivalents	$ 40,001	$ 40,001	$ –	$ –	$ –
Equities:					
Domestic	635,919	484,926	–	–	150,993
International	627,162	281,859	–	–	345,303
Mutual funds	49,611	49,611	–	–	–
Commingled funds	87,735	–	–	–	87,735
Fixed income:					
Domestic	308,386	144,333	104,782	–	59,271
US government	82,633	80,294	2,339	–	–
Corporate bonds	71,040	68,151	2,889	–	–
International	43,856	19,072	22,438	–	2,346
Mutual funds	7,909	7,909	–	–	–
Other fixed income	33,640	7,753	–	–	25,887
Real estate	28,467	9,634	–	18,833	–
Alternative investments:					
Hedged equity funds	105,615	–	–	–	105,615
Absolute return funds	394,595	–	–	7,493	387,102
Venture capital	551,818	–	–	–	551,818
Buyouts	415,016	–	–	–	415,016
Distressed/special situations	109,903	–	–	–	109,903
Real estate/real assets	317,596	–	–	7,097	310,499
Alternative fixed income	134,607	–	–	–	134,607
Natural resources	185,446	–	–	–	185,446
Beneficial interests in trust	49,112	–	–	49,112	–
Total investments	**4,280,067**	**$ 1,193,543**	**$ 132,448**	**$ 82,535**	**$ 2,871,541**
Other assets	32,082				
Total investments and other assets	**$ 4,312,149**				

Note 4—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023 and 2022:

(dollar amounts presented in thousands)		
	June 30, 2023	*June 30, 2022*
Student accounts	$ 70,655	$ 63,474
Auxiliary enterprises and other operating activities	66,685	58,754
Federal, state, and other grants and contracts	30,369	21,841
Capital appropriations and gifts	2,470	4,073
Other	13,365	8,180
Current accounts receivable, gross	**183,544**	**156,322**
Less allowance for uncollectible accounts	(12,067)	(8,970)
Current accounts receivable, net	**$ 171,477**	**$ 147,352**

Note 5—Lease Receivable

The university leases certain assets to various third parties in the following asset classes: buildings, land improvements, and land. Payments are generally fixed monthly. Variable payments based on the Consumer Price Index are appropriately excluded from the measurement of the lease receivable.

The university also subleases certain assets that it initially leases from a third party. The noncancelable terms of these leasing arrangements mature between 2026 and 2052. The discount rates applicable to these leasing arrangements range from 0.74% to 2.56%. Payments are generally fixed with escalated payments based on percentage increase included in the measurement of the lease receivable.

During the fiscal years ended June 30, 2023 and 2022, the university recognized lease revenue of $3,134,000 and $2,389,000 and interest income of $271,000 and $229,000 related to its lessor agreements, respectively. In addition, the university recognized insignificant inflows from variable payments that were properly excluded from the initial measurement of the lease receivable in both fiscal years.

George Taliaferro statue in front of the Memorial Stadium North End Zone facility
IU Bloomington Campus

Note 6—Capital Assets

Fiscal year ended June 30, 2023

(dollar amounts presented in thousands)

	Balance June 30, 2022 (as restated)	Additions	Transfers	Retirements	Balance June 30, 2023
Assets not being depreciated:					
Land	$ 92,168	$ 3,262	$ –	$ –	$ 95,430
Art & museum objects	114,843	4,042	–	–	118,885
Construction in progress	226,460	48,442	(169,510)	48	105,344
Total capital assets not being depreciated	**433,471**	**55,746**	**(169,510)**	**48**	**319,659**
Other capital assets:					
Infrastructure	269,820	2,806	1,399	–	274,025
Intangibles	11,766	–	–	2,690	9,076
Land improvements	119,193	4,626	1,979	–	125,798
Equipment	551,613	42,857	5,171	18,666	580,975
Right-to-use assets	189,308	41,357	–	7,392	223,273
Library books	82,637	3,567	–	7,108	79,096
Buildings	5,100,174	56,155	160,961	3,816	5,313,474
Total other capital assets	**6,324,511**	**151,368**	**169,510**	**39,672**	**6,605,717**
Less accumulated depreciation for:					
Infrastructure	182,944	6,231	–	–	189,175
Intangibles	11,638	85	–	2,690	9,033
Land improvements	53,565	5,735	–	–	59,300
Equipment	400,123	40,604	–	18,035	422,692
Right-to-use assets	59,394	32,178	–	4,356	87,216
Library books	50,486	7,764	–	7,108	51,142
Buildings	2,188,420	110,073	–	2,225	2,296,268
Total accumulated depreciation, other capital assets	**2,946,570**	**202,670**	–	**34,414**	**3,114,826**
Capital assets, net	**$ 3,811,412**	**$ 4,444**	**$ –**	**$ 5,306**	**$ 3,810,550**

Fiscal year ended June 30, 2022

(dollar amounts presented in thousands)

	Balance June 30, 2021	Additions	Transfers	Retirements	Balance June 30, 2022 (as restated)
Assets not being depreciated:					
Land	$ 87,563	$ 4,605	$ –	$ –	$ 92,168
Art & museum objects	112,391	2,452	–	–	114,843
Construction in progress	223,376	89,979	(86,836)	59	226,460
Total capital assets not being depreciated	**423,330**	**97,036**	**(86,836)**	**59**	**433,471**
Other capital assets:					
Infrastructure	269,151	4,017	1,758	5,106	269,820
Intangibles	11,766	–	–	–	11,766
Land improvements	111,447	5,622	2,124	–	119,193
Equipment	542,659	38,527	8,341	37,914	551,613
Right-to-use assets	147,814	43,086	–	1,592	189,308
Library books	113,336	3,776	–	34,475	82,637
Buildings	4,995,580	44,066	74,613	14,085	5,100,174
Total other capital assets	**6,191,753**	**139,094**	**86,836**	**93,172**	**6,324,511**
Less accumulated depreciation for:					
Infrastructure	181,930	6,120	–	5,106	182,944
Intangibles	11,552	86	–	–	11,638
Land improvements	48,088	5,477	–	–	53,565
Equipment	397,543	39,128	–	36,548	400,123
Right-to-use assets	28,774	31,915	–	1,295	59,394
Library books	75,194	9,766	–	34,474	50,486
Buildings	2,089,787	109,476	–	10,843	2,188,420
Total accumulated depreciation, other capital assets	**2,832,868**	**201,968**	–	**88,266**	**2,946,570**
Capital assets, net	**$ 3,782,215**	**$ 34,162**	**$ –**	**$ 4,965**	**$ 3,811,412**

Note 7—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2023 and 2022:

(dollar amounts presented in thousands)

	June 30, 2023	June 30, 2022 (as restated)
Accrued payroll	$ 24,198	$ 21,574
Interest payable	7,140	7,165
Vendor payables	104,834	102,620
Other payables	37,064	66,005
Total accounts payable and accrued liabilities	**$ 173,236**	**$ 197,364**

Note 8—Other Liabilities

Other liability activity for the fiscal years ended June 30, 2023 and 2022, is summarized as follows:

Fiscal year ended June 30, 2023

(dollar amounts presented in thousands)

	Balance June 30, 2022 (as restated)	*Additions*	*Reductions*	*Balance June 30, 2023*	*Current*
Bonds and notes payable:					
Bonds payable	$ 833,381	$ –	$ 64,421	$ 768,960	$ 59,316
Notes payable	288,857	13,463	34,028	268,292	54,136
Total bonds and notes payable	**1,122,238**	**13,463**	**98,449**	**1,037,252**	**113,452**
Other liabilities:					
Lease obligations	105,979	28,688	14,394	120,273	10,586
SBITA obligations	21,877	12,669	20,182	14,364	8,672
Compensated absences	88,329	20,817	18,003	91,143	57,755
Other	28,724	414	28,486	652	126
Total other liabilities	**$ 1,367,147**	**$ 76,051**	**$ 179,514**	**$ 1,263,684**	**$ 190,591**

Fiscal year ended June 30, 2022

(dollar amounts presented in thousands)

	Balance June 30, 2021	*Additions*	*Reductions*	*Balance June 30, 2022 (as restated)*	*Current*
Bonds and notes payable:					
Bonds payable	$ 897,863	$ –	$ 64,482	$ 833,381	$ 64,421
Notes payable	278,805	24,272	14,220	288,857	63,415
Total bonds and notes payable	**1,176,668**	**24,272**	**78,702**	**1,122,238**	**127,836**
Other liabilities:					
Lease obligations	120,933	3,636	18,590	105,979	10,624
SBITA obligations	–	39,449	17,572	21,877	15,034
Compensated absences	90,423	15,645	17,739	88,329	59,088
Other	56,749	390	28,415	28,724	28,486
Total other liabilities	**$ 1,444,773**	**$ 83,392**	**$ 161,018**	**$ 1,367,147**	**$ 241,068**

Note 9—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, 2023, and June 30, 2022, the university had serial bonds and term bonds with maturities that extend to June 1, 2060. The university has both tax-exempt and taxable bonds and notes 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, 2023, and 2022, are $258,755,000 and $289,210,000, respectively.

Indiana Code 21-35-2 and 21-35-3, as supplemented by 21-35-5 permits the use of debt in the form of revenue bonds. 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 second, 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. As of June 30, 2023, and 2022, the university has commercial paper outstanding. Commercial paper notes are issued by the university 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 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. The university's commercial paper program has an approved capacity of $200,000,000. The university may issue tax-exempt and/or taxable commercial paper. 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 $50,000,000 to mature in any five-business-day period. 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, 2038. The commercial paper notes are not subject to redemption prior to their respective maturities or to acceleration of maturities. As of June 30, 2023, the university has no variable rate bonds outstanding.

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

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

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.

A mastodon statue outside the Walter E. Helmke Library
IU Fort Wayne Campus

As of June 30, 2023, and 2022, outstanding ("O/S") indebtedness from bonds, notes, and other obligations follow, none of which are direct borrowings or placements:

(dollar amounts presented in thousands)

Issue Type/Series	*Issue Date*	*Original Issue ($)*	*Interest Rate (%)*	*Final Maturity Date*	*Principal O/S June 30, 2022*	*Principal O/S June 30, 2023*
Indiana Code 21-34-6 (Bonds: Student Fee Bonds):						
U: Neuroscience, Land Acquisition; Refunding of Series N, O and P	7/26/11	$ 94,460	–	8/1/22	$ 5,345	$ –
V-1: Energy Savings; Refunding of Series P, Q & R	10/26/12	60,265	–	8/1/22	8,845	–
W-1: Franklin, Arts/Sciences	1/14/15	58,960	4.00-5.00	8/1/34	43,940	41,425
W-2: Refunding of Series R and S	1/14/15	62,765	4.00-5.00	8/1/32	49,750	44,965
X: Old Crescent II; Refunding of Series U	8/4/16	71,710	3.00-5.00	8/1/35	53,180	49,760
Y: Ballantine Hall, Geology	10/3/18	69,470	4.00-5.00	8/1/37	62,625	59,975
Z-1: Bicentennial R&R Plan	6/24/20	81,265	3.00-5.00	8/1/29	72,310	66,535
Z-2: Refunding Series T-2 and V-1	6/24/20	18,595	0.63-1.15	8/1/26	17,545	17,045
Subtotal Student Fee Bonds					**313,540**	**279,705**
Add unamortized bond premium					38,913	35,030
Total Student Fee Bonds					**352,453**	**314,735**
Indiana Code 21-35-3 (Bonds: Consolidated Revenue Bonds):						
2015A: Read Hall II, North Hall; Refunding of Series 2008A and 2009A	4/1/15	146,960	3.00-5.00	6/1/42	100,095	87,155
2016A: Wells Quad; Refunding of Series 2008A, 2009A, and 2011A	4/5/16	93,070	2.75-5.00	6/1/41	87,290	85,655
2020A: Refunding of 2010B and 2011A	3/3/20	51,175	4.00-5.00	6/1/35	46,165	43,475
2020B: Persimmon A & B; Chestnut C & D; McNutt Central; Foster/McNutt; Refunding of Series 2012A	3/3/20	221,810	1.77-3.07	6/1/60	219,920	214,335
Subtotal Consolidated Revenue Bonds					**453,470**	**430,620**
Add unamortized bond premium					27,458	23,605
Total Consolidated Revenue Bonds					**480,928**	**454,225**
Subtotal bonds					**767,010**	**710,325**
Add unamortized bond premium					66,371	58,635
Total bonds					**833,381**	**768,960**

(dollar amounts presented in thousands)

Issue Type/Series	Issue Date	Original Issue ($)	Interest Rate (%)	Final Maturity Date	Principal O/S June 30, 2022	Principal O/S June 30, 2023
Indiana Code 21-33-3-5 Obligations (Notes: Certificates of Participation/Lease Purchase Obligations):						
2012A: Bart Kaufman/Andy Mohr Fields; Refunding of Certificates of Participation Series 2003A	2/9/12	23,750	–	12/1/22	630	–
2013A: Global & International Studies	3/8/13	22,515	3.00-5.00	6/1/33	14,895	13,825
2014A: University Hall	2/13/14	21,045	–	6/1/23	890	–
2015A: Simon Skjodt Assembly Hall	5/13/15	31,025	3.13-5.00	6/1/34	23,825	22,300
2017A: Memorial Stadium Excellence Academy/ Stadium Reno; Sidney & Lois Eskenazi Museum of Art	3/8/17	74,575	3.00-5.00	6/1/44	67,855	65,935
2020A: Wilkinson/Innovation Halls; The Health Sciences Bldg; Refunding of Certificates of Participation Series 2009B	3/10/20	79,545	4.00-5.00	6/1/45	74,575	71,895
2020B: Refunding of Certificates of Participation Series 2012A; Lease-Purchase Obligations Series 2014A	3/10/20	28,810	1.74-2.62	6/1/37	28,085	27,410
Subtotal Obligations					**210,755**	**201,365**
Add unamortized bond premium					25,976	24,077
Total Obligations					**236,731**	**225,442**
Indiana Code 21-32-2 (Notes: Commercial Paper):						
2018A: Luddy Center for AI/Studio Arts Annex/ The Pfau Course at Indiana University/George Thomas Clubhouse	6/9/23	12,839	3.50	9/6/23	7,854	6,183
2021A: Luddy Center for AI/Forrest Av. Garage/ Studio Arts Annex/Ferguson International Ctr/ Collins Living-Learning Center	6/2/23	44,272	3.55	9/6/23	44,272	23,204
2023A: Ferguson International Ctr./Wright Quad	5/18/23	13,463	3.30	9/6/23	–	13,463
Subtotal Commercial Paper					**52,126**	**42,850**
Add unamortized bond premium					–	–
Total Commercial Paper					**52,126**	**42,850**
Subtotal notes					**262,881**	**244,215**
Add unamortized bond premium					25,976	24,077
Total notes					**288,857**	**268,292**
Subtotal bonds and notes payable and other obligations					**1,029,891**	**954,540**
Add unamortized bond premium					92,347	82,712
Total bonds and notes payable and other obligations					**$1,122,238**	**$ 1,037,252**

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
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	52,555	10,335	62,890	22,918	7,613	30,531	93,421
2027	54,630	10,780	65,410	20,628	7,159	27,787	93,197
2028	47,255	11,265	58,520	18,423	6,680	25,103	83,623
2029 - 2033	176,210	57,805	234,015	67,140	26,479	93,619	327,634
2034 - 2038	102,915	41,475	144,390	37,352	16,296	53,648	198,038
2039 - 2043	16,850	38,570	55,420	25,519	8,192	33,711	89,131
2044 - 2048	–	11,750	11,750	23,896	746	24,642	36,392
2049 - 2053	–	–	–	23,896	–	23,896	23,896
2054 - 2058	–	–	–	23,896	–	23,896	23,896
2059 - 2060	155,825	–	155,825	9,558	–	9,558	165,383
Total	**$ 710,325**	**$ 201,365**	**$ 911,690**	**$ 325,351**	**$ 89,668**	**$ 415,019**	**$ 1,326,709**

Of the debt service payments to maturity, $325,625,000 are from bonds eligible for fee replacement appropriations.

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 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, 2023, and 2022, the following amounts of principal have been redeemed:

(dollar amounts presented in thousands)

Bonds Redeemed	Defeased O/S June 30, 2022	Defeased O/S June 30, 2023	Call Date
Lease Purchase Obligations, Series 2014A	$ 14,870	$ –	6/1/2023
Student Fee Bonds, Series V-1	16,495	–	8/1/2022
Total bonds	**$ 31,365**	**$ –**	

Throughout fiscal year ended 2023, the university paid down principal of $1,671,000 on tax-exempt Indiana University Commercial Paper Notes, Series 2018A and $21,068,000 on tax-exempt Indiana University Commercial Paper Notes, Series 2021A. On May 18, 2023, the university issued tax-exempt Indiana University Commercial Paper Notes, Series 2023A of $13,463,000. The total outstanding commercial paper notes at June 30, 2023 are $42,850,000 at interest rates ranging from 3.30% to 3.55% based upon when issued and maturity, and at June 30, 2022 are $52,126,000 at interest rates ranging from 1.30% to 1.60%, respectively.

Note 10—Right-to-Use Assets and Obligations

The university has obligations from leases and subscription-based information technology agreements (SBITAs). These contracts convey control of the right to use another party's asset. The university has right-to-use assets in the following asset classes: buildings, land, land improvements, equipment, vehicles, and subscription assets.

The lease liability includes fixed payments that are generally paid monthly. Variable payments based on the Consumer Price Index (CPI) are included in the lease liability and measured using the index in effect at the commencement of the lease term. However, any subsequent changes to the payment resulting from a change in the CPI are recognized as outflows or reductions of outflows of the period. The SBITA liability includes fixed payments that are generally paid annually. Variable payments based on the number of users, amount of data, etc. are appropriately excluded from the measurement of the SBITA liability.

Certain vehicle leases contain residual value guarantees that are excluded from the measurement of the lease liability totaling approximately $2,917,000 and $2,539,000 at June 30, 2023 and 2022, respectively. The residual values are based on a designated percentage of the fair market value of the asset given a specific term and vehicle type.

The university also leases certain assets that are subsequently subleased by the university to a third party. The noncancelable term of this leasing arrangement matures in 2043. The discount rate applicable to this leasing arrangement is 4.50%. Payments are fixed and included in the measurement of the lease liability.

Right-to-use asset activity for fiscal year ended June 30, 2023:

(dollar amounts presented in thousands)

	Balance June 30, 2022 (as restated)	*Additions*	*Retirements*	*Balance June 30, 2023*
Right-to-use asset class:				
Buildings	$ 131,897	$ 24,661	$ 5,389	$ 151,169
Land	–	620	–	620
Land improvements	2,052	–	–	2,052
Equipment	6,322	–	63	6,259
Vehicles	9,587	3,407	1,484	11,510
Subscription assets	39,450	12,669	456	51,663
Total right-to-use asset cost	**189,308**	**41,357**	**7,392**	**223,273**
Less accumulated amortization for:				
Buildings	40,282	10,305	2,777	47,810
Land improvements	123	79	–	202
Equipment	2,379	1,577	65	3,891
Vehicles	4,648	1,818	1,324	5,142
Subscription assets	11,962	18,399	190	30,171
Total accumulated amortization	**59,394**	**32,178**	**4,356**	**87,216**
Right-to-use assets, net	**$ 129,914**	**$ 9,179**	**$ 3,036**	**$ 136,057**

Right-to-use asset activity for fiscal year ended June 30, 2022:

(dollar amounts presented in thousands)

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022 (as restated)
Right-to-use asset class:				
Buildings	$ 130,978	$ 1,362	$ 443	$ 131,897
Land improvements	2,052	–	–	2,052
Equipment	6,190	132	–	6,322
Vehicles	8,594	2,142	1,149	9,587
Subscription assets	–	39,450	–	39,450
Total right-to-use asset cost	**147,814**	**43,086**	**1,592**	**189,308**
Less accumulated amortization for:				
Buildings	24,257	16,468	443	40,282
Land improvements	44	79	–	123
Equipment	805	1,574	–	2,379
Vehicles	3,668	1,832	852	4,648
Subscription assets	–	11,962	–	11,962
Total accumulated amortization	**28,774**	**31,915**	**1,295**	**59,394**
Right-to-use assets, net	**$ 119,040**	**$ 11,171**	**$ 297**	**$ 129,914**

During the fiscal years ended June 30, 2023 and 2022, the university recognized insignificant outflows from variable payments and residual value guarantees that were properly excluded from the initial measurement of the right-to-use obligations.

Future principal and interest payment requirements related to the university's lease and SBITA obligations at June 30, 2023, are as follows:

(dollar amounts presented in thousands)

	Lease		SBITA		Total Right-to-Use Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 10,586	$ 3,780	$ 8,672	$ 131	$ 19,258	$ 3,911
2025	9,673	3,478	4,974	45	14,647	3,523
2026	8,338	3,186	634	8	8,972	3,194
2027	7,868	2,908	84	2	7,952	2,910
2028	7,651	2,641	–	–	7,651	2,641
2029-2033	34,586	9,587	–	–	34,586	9,587
2034-2038	28,667	3,967	–	–	28,667	3,967
2039-2043	9,151	788	–	–	9,151	788
2044-2048	2,058	92	–	–	2,058	92
2049-2053	1,695	25	–	–	1,695	25
Total	**$ 120,273**	**$ 30,452**	**$ 14,364**	**$ 186**	**$ 134,637**	**$ 30,638**

Note 11—Risk Management

The university is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of students, employees, and their dependents. The university manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds, as well as from Old Crescent Insurance Company (OCIC), a wholly-owned captive insurance company. 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 $1,900,000 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 10% of the paid self-funded claims during the fiscal year and totaled $28,656,000 and $30,482,000 at June 30, 2023 and 2022, respectively. These amounts are reported within accounts payable and accrued liabilities on the Statement of Net Position.

Changes in the balances of accrued insurance liabilities for full-time appointed active employees and under-65 retirees not yet eligible for Medicare were as follows:

(dollar amounts presented in thousands)

Fiscal Year	*Beginning Balance*	*Claims Incurred and Changes in Estimates*	*Claims Paid*	*Ending Balance*
2023	$ 30,482	$301,329	$303,155	$ 28,656
2022	27,502	276,779	273,799	30,482
2021	28,024	248,220	248,742	27,502

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 $3,374,000 and $2,148,000 at June 30, 2023 and 2022, respectively.

Changes in the balances of accrued insurance liabilities for graduate assistances, fellowship recipients, and medical residents were as follows:

(dollar amounts presented in thousands)

Fiscal Year	*Beginning Balance*	*Claims Incurred and Changes in Estimates*	*Claims Paid*	*Ending Balance*
2023	$ 2,148	$ 32,036	$ 30,450	$ 3,734
2022	1,855	22,866	22,573	2,148
2021	1,623	20,581	20,349	1,855

These plans are funded by direct charges to the associated schools and/or departments.

Note 12—Retirement Plans

The university provided retirement plan coverage to 19,861 and 19,135 active employees as of June 30, 2023 and 2022, respectively, in addition to contributions per 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 $12,741,000 during fiscal year ended June 30, 2023, and $11,062,000 during fiscal year ended June 30, 2022, to Fidelity Investments for the plan. Under this plan, there were 3,602 and 3,194 active participants as of June 30, 2023 and 2022, respectively.

ACADEMIC AND PROFESSIONAL STAFF EMPLOYEES

Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b). The university contributed $120,306,000 during fiscal year ended June 30, 2023, and $115,377,000 during fiscal year ended June 30, 2022, to Fidelity Investments for the IU Retirement Plan. Under this plan, there were 14,789 and 14,243 active participants as of June 30, 2023 and 2022, respectively.

The Crossroads sculpture
IU South Bend Campus

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 542 and 592 active employees on June 30, 2023 and 2022, 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 $1,629,000 and $1,731,000 to IUSERP during fiscal years ended June 30, 2023 and 2022, 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. 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. 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. The university participates in the PERF Hybrid Plan which was established by the Indiana Legislature in 1955 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and Title 35 of the Indiana Administrative Code. There are two aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension. The second portion is the defined contribution component, known as Public Employees' Hybrid Members Defined Contribution Account. Both components are funded by employer contributions. Support staff and part-time employees who normally work at least 50% FTE appointment hired prior to July 1, 2013, participate in the PERF Hybrid Plan. There were 1,470 and 1,698 active university employees covered by this retirement plan as of June 30, 2023 and 2022, 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 the defined contribution 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 Annual Comprehensive Financial Report for 2022 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 $9,896,000 and $10,837,000 for fiscal years ended June 30, 2023 and 2022, respectively. This represented an 11.2% university pension benefit contribution for fiscal years ended June 30, 2023 and 2022, and a 3.0% university contribution for the defined contribution 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, 2023, the university reported a liability of $58,029,000 for its proportionate share of the net pension liability, as compared to $24,801,000 for the year ended June 30, 2022. The June 30, 2023, net pension liability of $58,029,000 at the measurement date was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, which used update procedures to roll forward the estimated liability to June 30, 2022. 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, 2022, the university's proportion was 1.84%, a decrease of 0.04 percentage points from its proportion measured as of June 30, 2021, which was 1.88%. The university's June 30, 2021 proportion decreased 0.05 percentage points from its proportion measured as of June 30, 2020, which was 1.93%. Pension expense of the university as of June 30, 2023 and 2022, was $7,328,000 and $(2,017,000), respectively.

Virgil and Elizabeth Hunt Hall
IU Kokomo Campus

At June 30, 2023, 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	$ 1,251	$ 221
Changes of assumptions	7,860	2,482
Net difference between projected and actual earnings on pension plan investments	7,161	–
Changes in proportion and differences between university contributions and proportionate share of contributions	–	5,341
University contributions subsequent to the measurement date	6,895	–
Total	**$ 23,167**	**$ 8,044**

A limestone grotesque atop Maxwell Hall
IU Bloomington Campus

A limestone duck sculpture atop Goodbody Hall
IU Bloomington Campus

Deferred outflows of resources in the amount of $6,895,000 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, 2024.

At June 30, 2022, 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	$ 848	$ 495
Changes of assumptions	12,475	5,571
Net difference between projected and actual earnings on pension plan investments	–	32,201
Changes in proportion and differences between university contributions and proportionate share of contributions	46	4,267
University contributions subsequent to the measurement date	8,492	–
Total	**$ 21,861**	**$ 42,534**

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*
2023	$ (104)
2024	2,719
2025	(1,962)
2026	7,575
2027	–
Thereafter	–
Total	**$ 8,228**

The Shadows and Echoes Sculpture Garden
IU Northwest Campus

Actuarial Assumptions. The total pension liability as of June 30, 2022 and 2021, based on the results of actuarial valuation dates of June 30, 2021 and 2020, 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, 2022	*Measurement Date as of June 30, 2021*
Cost of living	FY 2024-2033 – 0.4% FY 2034-2038 – 0.5% FY 2039 and on – 0.6%	FY 2024-2033 – 0.4% FY 2034-2038 – 0.5% FY 2039 and on – 0.6%
Inflation	2.00%, average	2.00%, average
Future salary increases	2.65% to 8.65%	2.65% to 8.65%
Investment rate of return	6.25%, net of investment expense	6.25%, net of investment expense
Mortality rates	Based on Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019	Based on Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019

The actuarial assumptions used in the valuations of June 30, 2022, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies that reflected the period from July 1, 2014, through June 30, 2019. Member census data as of June 30, 2021, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2021, and June 30, 2022. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2021, to the June 30, 2022 measurement date.

There were no significant changes to the assumptions listed above for the pension plan since the prior measurement date of June 30, 2021.

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, 2022		*Measurement Date as of June 30, 2021*	
	Target Allocation[1]	*Long-Term Expected Real Rate of Return*	*Target Allocation*	*Long-Term Expected Real Rate of Return*
Public equity	20.0%	3.6%	20.0%	3.6%
Private markets	15.0%	7.7%	15.0%	7.3%
Fixed income – ex inflation-linked	20.0%	1.4%	20.0%	1.5%
Fixed income – inflation-linked	15.0%	(0.3)%	15.0%	(0.3)%
Commodities	10.0%	0.9%	10.0%	0.8%
Real estate	10.0%	3.7%	10.0%	4.2%
Absolute return	5.0%	2.1%	5.0%	2.5%
Risk parity	20.0%	3.8%	20.0%	4.4%
Cash and Cash Overlay/Leverage Offset	(15.0)%	(1.7)%	(15.0)%	(1.4)%
Total	**100.0%**		**100.0%**	

[1] The defined benefit plans target allocation for total exposure is 115%. For the long-term expected rate of return calculation, an additional-15% is allocated to the cash and cash overlay global asset class

Discount rate. The discount rate used to measure the total pension liability was 6.25% and 6.25% at June 30, 2022 and 2021, respectively. 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 6.25% and 6.25% at June 30, 2022 and 2021, respectively, 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*	*Current Discount Rate*	*1% Increase*
June 30, 2023 (6.25%)	$ 98,032	$ 58,029	$ 24,663
June 30, 2022 (6.25%)	64,864	24,801	(8,618)

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 $1,207,000 at June 30, 2023, and $1,716,000 at June 30, 2022, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2023 and 2022, respectively.

Note 13—Postemployment Benefits

PLAN DESCRIPTION

The university provides postemployment benefits for certain retired employees. The IU 18/20 Plan, medical, and life insurance benefits are presented for financial statement purposes as a consolidated plan (the "Plan").

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.

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 $1,033,000 and $1,023,000 in premiums in the fiscal years ended June 30, 2023 and 2022, respectively. The university contributed $21,269,000 and $22,675,000 to the consolidated OPEB Plan in fiscal year ended June 30, 2023 and 2022, respectively. The university does not maintain a separate legal trust to house assets used to fund postemployment benefits.

As of the June 30, 2022 actuarial valuation date, the number of plan participants consisted of the following:

	18/20 Plan	*Retiree Health Insurance*	*Retiree Life Insurance*
Active employees	57	17,174	18,726
Inactive employees receiving benefits	130	186	6,665
Total	**187**	**17,360**	**25,381**

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

At June 30, 2023 and 2022, the university reported $181,632,000 and $179,008,000 for its total OPEB liability, respectively. The current portion of the OPEB liability was $17,632,000 and $21,269,000 at June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the university reported $16,987,000 and $16,218,000 for its total OPEB expense, respectively. The June 30, 2023 total OPEB liability was measured as of June 30, 2023. Liabilities as of June 30, 2023 are based on an actuarial valuation date of July 1, 2022 projected to June 30, 2023, reflecting actual premiums and contributions. Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2022 with no adjustments to get to the June 30, 2022 measurement date.

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2023, 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	$ 43,844	$ 97,422	$ 37,742	$ 179,008
Service cost	533	7,396	865	8,794
Interest	1,476	4,225	1,549	7,250
Changes in assumptions	(13)	(385)	(233)	(631)
Differences between expected and actual experience	(1,056)	9,536	–	8,480
Benefit payments	(16,731)	(3,062)	(1,476)	(21,269)
Total OPEB liability, end of year	**$ 28,053**	**$ 115,132**	**$ 38,447**	**$ 181,632**
Current portion of OPEB liability				**$ 17,632**
OPEB expense	**$ 450**	**$ 14,635**	**$ 1,902**	**$ 16,987**

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2022, 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	$ 61,926	$ 95,940	$ 51,246	$ 209,112
Service cost	1,298	8,652	1,718	11,668
Interest	1,187	2,256	1,144	4,587
Changes in assumptions	(1,082)	(13,978)	(13,570)	(28,630)
Differences between expected and actual experience	(1,378)	7,685	(1,361)	4,946
Benefit payments	(18,107)	(3,133)	(1,435)	(22,675)
Total OPEB liability, end of year	**$ 43,844**	**$ 97,422**	**$ 37,742**	**$ 179,008**
Current portion of OPEB liability				**$ 21,269**
OPEB expense	**$ 1,060**	**$ 12,778**	**$ 2,380**	**$ 16,218**

The discount rate changed from 4.09% as of June 30, 2022, to 4.13% as of June 30, 2023. The health care trend rates have been reset to an initial rate of 7.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. The university has not had a recent experience study.

At June 30, 2023, 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	$ 1,490	$ 1,087
Retiree health insurance	6,594	10,821
Retiree life insurance	5,948	10,685
Differences between expected and actual experience:		
18/20 Plan	–	7,102
Retiree health insurance	33,647	23,608
Retiree life insurance	230	1,021
Total	**$ 47,909**	**$ 54,324**

At June 30, 2022, 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	$ 1,871	$ 1,298
Retiree health insurance	8,327	12,231
Retiree life insurance	7,374	12,279
Differences between expected and actual experience:		
18/20 Plan	–	7,761
Retiree health insurance	32,777	29,199
Retiree life insurance	289	1,191
Total	**$ 50,638**	**$ 63,959**

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*
2024	$ (1,559)	$ 3,013	$ (511)	$ 943
2025	(1,559)	3,013	(511)	943
2026	(1,559)	3,013	(511)	943
2027	(749)	(3,505)	(685)	(4,939)
2028	(697)	(1,224)	(1,385)	(3,306)
Thereafter	(575)	1,501	(1,925)	(999)
Total	**$ (6,698)**	**$ 5,811**	**$ (5,528)**	**$ (6,415)**

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

	Measurement Date as of June 30, 2023	*Measurement Date as of June 30, 2022*
Payroll growth (medical/life plan)	3.0%	3.0%
Payroll growth (18/20 plan)	2.5%	2.5%
Inflation	2.5%	2.5%
Health care cost trend rates	7.0% for fiscal year 2023 to 4.5% for fiscal year 2029 and later years	7.5% for fiscal year 2022 to 4.5% for fiscal year 2028 and later years
Mortality rates	Based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021	Based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
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, 2023, was 4.13% and 4.09% as of June 30, 2022. 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 S&P 20-year municipal bond index was used for the current discount rate.

Sensitivity of total OPEB liability to the discount rate. The following table presents the June 30, 2023 total OPEB liability using the discount rate of 4.13% 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)

		June 30, 2023	
Sensitivity of Total OPEB Liability	*1% Decrease (3.13%)*	*Current Discount Rate (4.13%)*	*1% Increase (5.13%)*
18/20 plan	$ 28,381	$ 28,053	$ 27,719
Retiree health insurance	125,187	115,132	105,934
Retiree life insurance	44,975	38,447	33,269
Total	**$ 198,543**	**$ 181,632**	**$ 166,922**

Sensitivity of total OPEB liability to the discount rate. The following table presents the June 30, 2022 total OPEB liability using the discount rate of 4.09% 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)

		June 30, 2022	
Sensitivity of Total OPEB Liability	*1% Decrease (3.09%)*	*Current Discount Rate (4.09%)*	*1% Increase (5.09%)*
18/20 plan	$ 44,419	$ 43,844	$ 43,261
Retiree health insurance	106,003	97,422	89,568
Retiree life insurance	44,185	37,742	32,633
Total	**$ 194,607**	**$ 179,008**	**$ 165,462**

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, 2023 (7.0% decreasing to 4.5%)	$ 101,676	$ 115,132	$ 131,099
June 30, 2022 (7.5% decreasing to 4.5%)	86,652	97,422	110,131

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

Note 14—Functional Expenses

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

Fiscal year ended June 30, 2023

(dollar amounts presented in thousands)

	Natural Classification				
Functional Classification	*Compensation & Benefits*	*Scholarships & Fellowships*	*Supplies & Expenses*	*Depreciation*	*Total*
Instruction	$ 1,057,302	$ 20,619	$ 275,238	$ –	$ 1,353,159
Research	234,948	3,047	139,913	–	377,908
Public service	101,999	1,662	52,527	–	156,188
Academic support	394,698	2,864	149,860	–	547,422
Student services	100,342	864	33,704	–	134,910
Institutional support	130,387	308	57,069	–	187,764
Physical plant	99,269	1	75,543	–	174,813
Scholarships & fellowships	19,877	122,965	3,162	–	146,004
Auxiliary enterprises	238,805	5,257	165,243	–	409,305
Depreciation	–	–	–	202,670	202,670
Total operating expenses	**$ 2,377,627**	**$ 157,587**	**$ 952,259**	**$ 202,670**	**$ 3,690,143**

Fiscal year ended June 30, 2022 (as restated)

(dollar amounts presented in thousands)

	Natural Classification				
Functional Classification	*Compensation & Benefits*	*Scholarships & Fellowships*	*Supplies & Expenses*	*Depreciation*	*Total*
Instruction	$ 983,491	$ 28,456	$ 236,772	$ –	$ 1,248,719
Research	223,404	4,061	121,754	–	349,219
Public service	90,005	1,938	40,526	–	132,469
Academic support	360,971	4,260	137,832	–	503,063
Student services	92,687	1,067	28,674	–	122,428
Institutional support	133,581	42	59,656	–	193,279
Physical plant	93,306	8	71,553	–	164,867
Scholarships & fellowships	16,540	195,879	11,820	–	224,239
Auxiliary enterprises	211,851	6,686	144,475	–	363,012
Depreciation	–	–	–	201,968	201,968
Total operating expenses	**$ 2,205,836**	**$ 242,397**	**$ 853,062**	**$ 201,968**	**$ 3,503,263**

Note 15—Commitments and Loss Contingencies

The university had outstanding commitments for capital construction projects of $201,471,000 and $55,342,000 at June 30, 2023 and 2022, respectively.

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

The exterior of the Paul H. O'Neill Graduate Center at the O'Neill School of Public and Environmental Affairs
IU Bloomington Campus

Note 16—Discretely Presented Component Units

Condensed financial statement information related to the University's component units for the year ended June 30, 2023 is as follows:

(dollar amounts presented in thousands)

	Indiana University Foundation	Riley Children's Endowment	IU Medical Group Foundation	Regenstrief Institute, Inc.	Total
Assets					
Current assets					
Cash and cash equivalents	$ 114,717	$ 6,746	$ 3,419	$ 1,821	$ 126,703
Collateral under securities lending agreement	23,214	–	–	–	23,214
Accounts receivable, net	39,518	10,078	1,388	8,543	59,527
Other assets	–	–	–	418	418
Total current assets	**177,449**	**16,824**	**4,807**	**10,782**	**209,862**
Noncurrent assets					
Accounts receivable, net	232,143	–	–	–	232,143
Investments	3,701,826	401,225	335,526	26,881	4,465,458
Capital assets, net	68,625	1,317	–	12,052	81,994
Other assets	–	39,851	–	–	39,851
Total noncurrent assets	**4,002,594**	**442,393**	**335,526**	**38,933**	**4,819,446**
Total assets	**4,180,043**	**459,217**	**340,333**	**49,715**	**5,029,308**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	10,905	34,374	–	2,833	48,112
Collateral under securities lending agreement	23,214	–	–	–	23,214
Current portion of long-term debt	–	–	–	324	324
Total current liabilities	**34,119**	**34,374**	**–**	**3,157**	**71,650**
Noncurrent liabilities					
Long-term debt	149,188	–	–	8,926	158,114
Assets held for the university	476,120	3,633	–	–	479,753
Assets held for university affiliates	41,853	–	–	–	41,853
Other noncurrent liabilities	41,312	989	–	–	42,301
Total noncurrent liabilities	**708,473**	**4,622**	**–**	**8,926**	**722,021**
Total liabilities	**742,592**	**38,996**	**–**	**12,083**	**793,671**
Net position					
Net investment in capital assets	68,625	1,317	–	3,126	73,068
Restricted for:					
Nonexpendable – endowments	2,245,441	131,716	–	–	2,377,157
Expendable:					
Scholarships, research, instruction, other	1,026,869	61,947	12,917	12,958	1,114,691
Capital projects	147,566	9,263	–	–	156,829
Unrestricted	(51,050)	215,978	327,416	21,548	513,892
Total net position	**$ 3,437,451**	**$ 420,221**	**$ 340,333**	**$ 37,632**	**$ 4,235,637**

(dollar amounts presented in thousands)

	Indiana University Foundation	Riley Children's Endowment	IU Medical Group Foundation	Regenstrief Institute, Inc.	Total
Operating revenues					
Federal grants and contracts	$ –	$ 73	$ –	$ –	$ 73
Nongovernmental grants and contracts	–	–	–	20,301	20,301
Sales, services, and other revenue	22,749	28	–	1,830	24,607
Total operating revenues	**22,749**	**101**	**–**	**22,131**	**44,981**
Operating expenses					
Compensation and benefits	30,017	7,317	–	16,173	53,507
Student financial aid	60,317	–	–	–	60,317
Energy and utilities	314	16	–	112	442
Travel	2,471	103	–	683	3,257
Supplies and general expense	147,617	40,431	26,318	9,753	224,119
Depreciation and amortization	2,704	180	–	827	3,711
Total operating expenses	**243,440**	**48,047**	**26,318**	**27,548**	**345,353**
Nonoperating revenues (expenses)					
Investment income (loss)	114,985	38,449	23,624	870	177,928
Gifts	63,222	38,526	89,131	3,500	194,379
Interest expense	–	–	–	(338)	(338)
Net nonoperating revenues	**178,207**	**76,975**	**112,755**	**4,032**	**371,969**
Other					
Additions to permanent endowments	87,463	–	–	–	87,463
Total other	87,463	–	–	–	87,463
Increase (decrease) in net position	44,979	29,029	86,437	(1,385)	159,060
Net position, beginning of year	3,392,472	391,192	253,896	39,017	4,076,577
Net position, end of year	**$ 3,437,451**	**$ 420,221**	**$ 340,333**	**$ 37,632**	**$ 4,235,637**

Condensed financial statement information related to the University's component units for the year ended June 30, 2022 is as follows:

(dollar amounts presented in thousands)

	Indiana University Foundation	*Riley Children's Endowment*	*IU Medical Group Foundation*	*Regenstrief Institute, Inc.*	*Total*
Assets					
Current assets					
Cash and cash equivalents	$ 104,712	$ 10,070	$ 21,066	$ 4,454	$ 140,302
Collateral under securities lending agreement	16,066	–	–	–	16,066
Accounts receivable, net	45,724	16,810	898	14,275	77,707
Other assets	–	–	–	344	344
Total current assets	**166,502**	**26,880**	**21,964**	**19,073**	**234,419**
Noncurrent assets					
Accounts receivable, net	249,134	–	–	–	249,134
Investments	3,665,070	364,223	234,225	19,441	4,282,959
Capital assets, net	66,051	1,453	–	12,619	80,123
Other assets	–	36,474	–	–	36,474
Total noncurrent assets	**3,980,255**	**402,150**	**234,225**	**32,060**	**4,648,690**
Total assets	**4,146,757**	**429,030**	**256,189**	**51,133**	**4,883,109**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	31,635	34,505	2,293	2,553	70,986
Collateral under securities lending agreement	16,066	–	–	–	16,066
Current portion of long-term debt	–	–	–	312	312
Total current liabilities	**47,701**	**34,505**	**2,293**	**2,865**	**87,364**
Noncurrent liabilities					
Long-term debt	149,159	–	–	9,251	158,410
Assets held for the university	470,864	3,179	–	–	474,043
Assets held for university affiliates	42,927	–	–	–	42,927
Other noncurrent liabilities	43,634	154	–	–	43,788
Total noncurrent liabilities	**706,584**	**3,333**	**–**	**9,251**	**719,168**
Total liabilities	**754,285**	**37,838**	**2,293**	**12,116**	**806,532**
Net position					
Net investment in capital assets	66,051	1,453	–	3,368	70,872
Restricted for:					
Nonexpendable – endowments	2,241,354	127,663	–	–	2,369,017
Expendable:					
Scholarships, research, instruction, other	1,009,777	61,624	20,034	16,488	1,107,923
Capital projects	144,204	8,032	–	–	152,236
Unrestricted	(68,914)	192,420	233,862	19,161	376,529
Total net position	**$ 3,392,472**	**$ 391,192**	**$ 253,896**	**$ 39,017**	**$ 4,076,577**

(dollar amounts presented in thousands)

	Indiana University Foundation	*Riley Children's Endowment*	*IU Medical Group Foundation*	*Regenstrief Institute, Inc.*	*Total*
Operating revenues					
Nongovernmental grants and contracts	$ –	$ –	$ –	$ 19,614	$ 19,614
Sales, services, and other revenue	24,559	74	–	2,176	26,809
Total operating revenues	**24,559**	**74**	**–**	**21,790**	**46,423**
Operating expenses					
Compensation and benefits	25,451	6,504	–	15,068	47,023
Student financial aid	59,635	–	–	–	59,635
Energy and utilities	296	16	–	84	396
Travel	2,328	49	–	188	2,565
Supplies and general expense	276,959	37,903	37,678	6,934	359,474
Depreciation and amortization	2,609	158	–	1,031	3,798
Total operating expenses	**367,278**	**44,630**	**37,678**	**23,305**	**472,891**
Nonoperating revenues (expenses)					
Investment income (loss)	7,588	(45,258)	(32,796)	(1,554)	(72,020)
Gifts	84,643	47,565	35,350	12,400	179,958
Interest expense	–	–	–	(349)	(349)
Net nonoperating revenues	**92,231**	**2,307**	**2,554**	**10,497**	**107,589**
Other					
Additions to permanent endowments	104,681	–	–	–	104,681
Total other	**104,681**	**–**	**–**	**–**	**104,681**
Increase (decrease) in net position	(145,807)	(42,249)	(35,124)	8,982	(214,198)
Net position, beginning of year	3,538,279	433,441	289,020	30,035	4,290,775
Net position, end of year	**$ 3,392,472**	**$ 391,192**	**$ 253,896**	**$ 39,017**	**$ 4,076,577**

Note 17—Subsequent Events

On June 14, 2023, The Board of Trustees from both Indiana University and Purdue University approved a definitive agreement to formalize the separation of Indiana University-Purdue University Indianapolis that will convert the shared campus into two distinct institutions. Indiana University will continue to own and manage the shared campus, provide certain administrative services for both institutions, and house the college's Division I athletics program.

Beginning July 1, 2024, the IUPUI campus will be known as Indiana University Indianapolis. The Purdue portion of the campus will be known as Purdue University in Indianapolis. All academic programs at IUPUI will transition to become part of IU Indianapolis, with the exception of most programs within the Purdue School of Engineering and Technology and Computer Science within the School of Science, which will become part of Purdue University in Indianapolis.

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:	*University's proportion of the net pension liability*	*University's proportionate share of the net pension liability*	*University's covered payroll*	*University's proportionate share of the net liability as a percentage of its covered payroll*	*Plan fiduciary net position as a percentage of the total pension liability*
June 30, 2022	1.84%	$58,029	$79,916	72.61%	82.50%
June 30, 2021	1.88%	$24,801	$84,371	29.39%	92.50%
June 30, 2020	1.93%	$58,280	$94,664	61.56%	81.40%
June 30, 2019	1.97%	$65,254	$101,364	64.38%	80.10%
June 30, 2018	2.02%	$68,576	$124,694	55.00%	78.90%
June 30, 2017	2.06%	$92,066	$128,504	71.64%	76.60%
June 30, 2016	2.11%	$95,689	$139,508	68.59%	75.30%
June 30, 2015	3.30%	$134,565	$156,848	85.79%	77.30%
June 30, 2014	3.85%	$101,229	$185,019	54.71%	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	*Contractually required contribution*	*Contributions in relations to the contractually required contribution*	*Contribution deficiency*	*University's covered payroll*	*Contributions as a percentage of covered payroll*
2023	$6,409	$(6,409)	–	$61,283	10.46%
2022	$8,824	$(8,824)	–	$79,916	11.04%
2021	$9,154	$(9,154)	–	$84,371	10.85%
2020	$10,583	$(10,583)	–	$94,664	11.18%
2019	$11,170	$(11,170)	–	$101,364	11.02%
2018	$13,978	$(13,978)	–	$124,694	11.21%
2017	$13,980	$(13,980)	–	$128,504	10.88%
2016	$15,637	$(15,637)	–	$139,508	11.21%
2015	$17,484	$(17,484)	–	$156,848	11.15%

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

[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.

Notes to RSI:

Changes of Benefit Terms: There were no changes of benefit terms for the years presented.

Changes in Assumptions:

FY 2023:
None

FY 2022:
The Interest Rate / Investment Return and Discount Rate assumption changed from 6.75% to 6.25%.

The inflation assumption changed from 2.25% to 2.00%.

The Future Salary Scale assumption changed from 2.75% - 8.75% to 2.65% - 8.65%.

FY 2021:
The future salary increase assumption changed from an age-based table ranging from 2.50% to 4.25% to a service-based table ranging from 2.75% to 8.75%.

The mortality assumption changed from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The retirement assumption was updated based on recent experience and was updated from an age- and service-based table to an age-based table dependent on eligibility for a reduced benefit or unreduced benefit. Additionally, for actives who are eligible for early retirement (reduced benefit), 30% are now assumed to commence benefits immediately and 70% are assumed to commence benefits at unreduced retirement eligibility. Previously 33% of actives were assumed to commence benefits with early retirement while 67% were assumed to wait for unreduced retirement eligibility.

The termination assumption was updated based on recent experience. For state members, the tables were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivisions earning more than $20,000, the sex-distinct tables were combined to one unisex service-based table. For members in political subdivisions earning less than $20,000, the sex-distinct age-based table was maintained, and the rates were updated based on experience.

The disability assumption was updated based on recent experience.

The marital assumption was updated based on recent experience: 80% of male members and 65% of female members are assumed to be married or to have a dependent beneficiary. Previously, 75% of male members and 60% of female members were assumed to be married or to have a dependent beneficiary.

The load placed on the final average earnings to account for additional wages received upon termination, such as severance pay or unused sick leave, decreased from $400 to $200.

FY 2020:
None

FY 2019:
For the actuarial valuation as of June 30, 2018, the Cost-of-Living Adjustment (COLA) assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS assumes the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

FY 2018:
For the actuarial valuation as of June 30, 2017, an actuarial audit was completed which included updating the following assumptions: adding a load on final average salary of $400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables.

FY 2017:
None

FY 2016:
The inflation assumption changed from 3.00% to 2.25% per year.

The future salary increase assumption changed from an age-based table ranging from 3.25% to 4.50% to an age-based table ranging from 2.50% to 4.25%.

The mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

The retirement assumption was updated based on recent experience. Additionally, for actives who are eligible for early retirement (reduced benefit), 33% are assumed to commence benefits immediately and 67% are assumed to commence benefits at unreduced retirement eligibility. 100% of actives were assumed to commence benefits immediately upon early retirement eligibility in the prior year.

The termination assumption was updated based on recent experience. For members earning less than $20,000, the tables were updated from a select and ultimate table to just an ultimate table as there is little correlation with service. For members earning more than $20,000, the tables were updated from using a 5-year select period to a 10-year select period to correspond with the vesting schedule.

The disability assumption was updated based on recent experience.

The ASA Annuitization assumption was updated from 50% of members assumed to annuitize their ASA balance to 60% of members assumed to annuitize their ASA balance prior to January 1, 2017.

FY 2015:

Assumptions concerning ASA withdrawal and annuitization were added pursuant to the addition of IC 5-10.5-4-2.5 and 2.6 in accordance with the 2014 House Enrolled Act No. 1075.

All other assumptions are the same as the June 30, 2013 valuation.

Sculpture of former IU president Herman B. Wells
IU Bloomington Campus

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*
FY 2023:										
18/20 Plan	$ 533	$ 1,476	$ (13)	$ (1,056)	$ (16,731)	**$ (15,791)**	$ 43,844	**$ 28,053**	$ 6,694	419.1%
Retiree Health Insurance	7,396	4,225	(385)	9,536	(3,062)	**17,710**	97,422	**115,132**	1,374,581	8.4%
Retiree Life Insurance	865	1,549	(233)	–	(1,476)	**705**	37,742	**38,447**	1,374,581	2.8%
Total	**$ 8,794**	**$ 7,250**	**$ (631)**	**$ 8,480**	**$ (21,269)**	**$ 2,624**	**$ 179,008**	**$ 181,632**		
FY 2022:										
18/20 Plan	$ 1,298	$ 1,187	$ (1,082)	$ (1,378)	$ (18,107)	**$(18,082)**	$ 61,926	**$ 43,844**	$ 8,775	499.6%
Retiree Health Insurance	8,652	2,256	(13,978)	7,685	(3,133)	**1,482**	95,940	**97,422**	1,334,545	7.3%
Retiree Life Insurance	1,718	1,144	(13,570)	(1,361)	(1,435)	**(13,504)**	51,246	**37,742**	1,334,545	2.8%
Total	**$ 11,668**	**$ 4,587**	**$ (28,630)**	**$ 4,946**	**$ (22,675)**	**$(30,104)**	**$ 209,112**	**$ 179,008**		
FY 2021:										
18/20 Plan	$ 1,657	$ 1,965	$ 381	$ (2,431)	$ (23,584)	**$(22,012)**	$ 83,938	**$ 61,926**	$ 13,233	468.0%
Retiree Health Insurance	9,024	2,848	3,648	(16,300)	(2,654)	**(3,434)**	99,374	**95,940**	1,347,071	7.1%
Retiree Life Insurance	1,430	1,240	4,087	–	(1,402)	**5,355**	45,891	**51,246**	1,347,071	3.8%
Total	**$ 12,111**	**$ 6,053**	**$ 8,116**	**$ (18,731)**	**$ (27,640)**	**$(20,091)**	**$ 229,203**	**$ 209,112**		
FY 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**		
FY 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**		

continued on next page

(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
FY 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**		

[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.

Notes to RSI:

No assets were accumulated in a trust.

FY 2023:
Changes of Benefit Terms: *There were no changes of benefit terms for the plan year ended June 30, 2023.*
Changes in Assumptions: *The discount rate increased to 4.13% as of June 30, 2023. The health care trend rates have been reset to an initial rate of 7.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.*

FY 2022:
Changes of Benefit Terms: *There were no changes of benefit terms for the plan year ended June 30, 2022.*
Changes in Assumptions: *The discount rate increased to 4.09% as of June 30, 2022. The inflation rate decreased to 2.50% per year as of June 30, 2022. The mortality table has been updated from headcount-weighted, fully generational using Scale MP-2019 to headcount-weighted, fully generational using Scale MP-2021.*

FY 2021:
Changes of Benefit Terms: *There were no changes of benefit terms for the plan year ended June 30, 2021.*
Changes in Assumptions: *The discount rate decreased to 2.19% as of June 30, 2021. The health care trend rates have been reset to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.*

FY 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.*

FY 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%.*

FY 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%.*

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