THE TRUSTEES of INDIANA UNIVERSITY (CUSIP6: 455167 and 455152)
Annual Disclosure Document
December 2009

Relating to the following bond issues occurring in the month and year specified:

Indiana University Student Fee Bonds, Series K: August 1995
Indiana University Student Fee Bonds, Series L: April 1998
Indiana University Student Fee Bonds, Series M: December 1999
Indiana University Student Fee Bonds, Series N: June 2001
Indiana University Student Fee Bonds, Series O: March 2003
Indiana University Certificates of Participation, Series 2003A: April 2003
Indiana University Student Fee Bonds, Series P: December 2004
Indiana University Student Fee Bonds, Series Q: June 2006
Indiana University Student Fee Bonds, Series R: June 2006
Indiana University Student Fee Bonds, Series S: February 2008

Indiana University Facility Revenue Bonds, Series 1994A: May 1994
Indiana University Student Residence System Bonds, Series 2004B: June 2004
Indiana University Facility Revenue System Bonds, Series 2004: July 2004
Indiana University Consolidated Revenue Bonds, Series 2008A: February 2008
Indiana University Consolidated Revenue Bonds, Series 2009A: April 2009

Exhibit A - Audited Financial Statements for the Fiscal Year Ended June 30, 2009
Exhibit B - Certificate RE: Audited Financial Statements
Exhibit C - Certificate RE: Annual Financial Information Disclosure
Schedule I to Exhibits B and C

INDIANA UNIVERSITY

General

Indiana University (the "University") is one of the largest universities in the nation. It was established by the Indiana General Assembly in 1820 as Indiana Seminary and was located in Bloomington. It was designated as Indiana College by the General Assembly in 1828 and became Indiana University in 1838.

Indiana University is composed of eight campuses, with core campuses in Bloomington and Indianapolis and regional campuses serving other areas of the state located in Gary (Northwest), Fort Wayne (Indiana University Purdue University Fort Wayne), Kokomo, New Albany (Southeast), Richmond (East), and South Bend. The Bloomington campus is the oldest and largest campus in the Indiana University system, occupying 1,937 acres, and is the primary residential campus. The Indiana University Purdue University at Indianapolis campus (IUPUI) is the home of the Indiana University School of Medicine, the School of Dentistry, and the School of Nursing. The eight campuses of Indiana University encompass a total 3,639 acres. Indiana University and Purdue University jointly offer academic programs at IUPUI and the Fort Wayne campus. Indiana University has fiscal responsibilities for IUPUI, and Purdue University has fiscal responsibilities for the Fort Wayne campus.

Forward Looking Statements

Certain information contained in this document, particularly those titled "Student Enrollment," "State Appropriations to the University," "Student Budget," and "Budgeting Procedures" and under Exhibit A — "Management Discussion and Analysis" contain "forward looking statements" based on current expectations, estimates, forecasts and projections about and assumptions made by the University. These forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," and "seeks" or the negatives of such terms or other variations on such terms or comparable terminology. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially. These risks and uncertainties include demographic changes, demand for higher education services and other services of the University, competition with other higher education institutions and general domestic economic conditions including economic conditions of the State of Indiana. The University disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Academic Schools, Colleges & Divisions of Indiana University

Indiana University divides the academic year into two academic semesters and additional summer terms varying in length by campus. The University offers courses in the arts, humanities, social, behavioral, physical sciences, and professional fields. Additional programs include military science, professional practice, continuing education and special summer session programs. The major areas and fields of study at Indiana University's campuses are organized into specific schools, colleges and divisions.

The major areas and fields of study at the Bloomington and Indianapolis campuses are organized as follows: College of Arts and Sciences; Kelley School of Business; School of Continuing Studies; School of Dentistry; School of Education; Purdue School of Engineering and Technology; Henry Radford Hope School of Fine Arts; Graduate School; School of Health and Rehabilitation Sciences; School of Health, Physical Education and Recreation; Herron School of Art and Design; Honors College; Hutton Honors College; School of Informatics; School of Informatics and Computing; School of Journalism; Division of Labor Studies; Maurer School of Law; School of Law-Indianapolis; School of Liberal Arts; School of Library and Information Science; School of Medicine; Jacobs School of Music; School of Nursing; School of Optometry; School of Physical Education and Tourism Management; School of Public and Environmental Affairs; Purdue School of Science; School of Social Work; University College; University Division; and University Graduate School. The Purdue School of Engineering and Technology and the Purdue School of Science include programs that are the academic responsibility of Purdue University.

The major areas and fields of study at the regional campuses are organized as follows:

East - School of Business and Economics; Division of Continuing Studies; School of Education; School of Humanities and Social Sciences; School of Natural Science and Mathematics; School of Nursing; School of Social Work, Purdue College of Technology; and University College.

Fort Wayne - College of Arts and Sciences; Doermer School of Business and Management Sciences; Division of Continuing Studies; School of Education; College of Engineering, Technology, and Computer Science; College of Health and Human Services; Division of Labor Studies; Division of Organizational Leadership and Supervision; Division of Public and Environmental Affairs; and College of Visual and Performing Arts.

Kokomo - Division of Allied Health Sciences; School of Arts and Sciences; School of Business; Division of Continuing Studies; Division of Education; Division of Labor Studies; School of Nursing; School of Public and Environmental Affairs; Purdue College of Technology and University Division.

Northwest - Division of Allied Health Professions; College of Arts and Sciences; School of Business and Economics; Division of Continuing Studies; Division of Dental Education; College of Health and Human Services; Division of Labor Studies; School of Nursing; School of Public and Environmental Affairs; and Division of Social Work.

South Bend – Ernestine M. Raclin School of the Arts; School of Business and Economics; Division of Continuing Studies; School of Education; College of Health Sciences; Division of Labor Studies; College of Liberal Arts and Sciences; School of Nursing; and School of Social Work.

Southeast - School of Arts and Letters; School of Business; Division of Continuing Studies; School of Education; School of Natural Sciences; School of Nursing; and School of Social Sciences.

Authorized Degree Programs and Degrees Conferred

For the 2009-10 academic year, 1,078 Indiana University degree and certificate programs and 143 Purdue University degree and certificate programs are authorized and implemented on Indiana University campuses, including 69 Statewide Technology programs. Four-year programs leading to baccalaureate degrees constitute the largest single category, accounting for 492 programs. Advanced degrees (professional, master's and master's degree equivalents and doctoral) account for 388 programs. Associate and certificate degree programs account for 341.

The University's total headcount enrollment for the fall semester of 2009 was 107,160 students. During the academic year ended June 30, 2009, the University awarded a total of 18,795 degrees consisting of 11,317 bachelor’s degrees, 4,269 master's degrees, 1,411 professional and doctoral degrees, 1,002 associate degrees, and 796 certificate degrees. As of the fall semester of 2009, Indiana University's full time faculty totaled 4,911 for all campuses.

Accreditations and Memberships

Indiana University is fully accredited in all of its departments and divisions by the North Central Association of Colleges and Schools. Each professional school holds full accreditation from its respective professional association. Indiana University is a member of the American Council of Education and the Association of American Universities.

The Board of Trustees of the University

The University is governed by a nine-member Board of Trustees, which under Indiana statutes has policy and decision-making authority to carry out the programs and missions of Indiana University. Five of the members of the Board of Trustees are appointed by the Governor for three year terms; three trustees are elected by the alumni of Indiana University for three year terms, with one alumnus trustee being elected each year; and one trustee position must be a full-time student of Indiana University. The student trustee is appointed by the Governor for a two year term. Certain officers of the Board are not members of the Board of Trustees. The current members and officers of the Board of Trustees are listed below:

BOARD OF TRUSTEE MEMBERS

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BOARD OF TRUSTEE OFFICERS

Administrative Officers of the University

As the chief executive of the University, the President is appointed by the Trustees and is responsible for the operation of the entire University within the framework of policies provided by the Trustees. The President is responsible for accomplishing the objectives of the University, for determining missions and priorities for its various units, and for the effective and efficient planning, use, and management of its resources. The following is a list of the major officers of Indiana University. Brief biographical sketches of certain officers follow.

Michael A. McRobbie, President

Karen Hanson, Executive Vice President and Provost, Indiana University Bloomington

Charles R. Bantz, Executive Vice President and Chancellor, Indiana University-Purdue University Indianapolis

John S. Applegate, Vice President for Planning and Policy

D. Craig Brater, M.D., Vice President for Life Sciences

Dorothy J. Frapwell, Vice President and General Counsel

G. Frederick Glass, Vice President and Director of Intercollegiate Athletics

Edwin C. Marshall, Vice President for Diversity, Equity and Multicultural Affairs

Thomas A. Morrison, Vice President for Capital Projects and Facilities

Patrick O'Meara, Vice President for International Affairs

Michael M. Sample, Vice President for Public Affairs and Government Relations

Robert B. Schnabel, Interim Vice President for Research

William B. Stephan, Vice President for Engagement

Neil Theobald, Vice President and Chief Financial Officer

Bradley C. Wheeler, Vice President for Information Technology and Chief Information Officer

Bruce W. Bergland, Chancellor of Indiana University Northwest

Stuart M. Green, Interim Chancellor of Indiana University Kokomo

Sandra R. Patterson-Randles, Chancellor of Indiana University Southeast

Nasser H. Paydar, Chancellor of Indiana University East

Una Mae Reck, Chancellor of Indiana University South Bend

Michael A. Wartell, Chancellor of Indiana University-Purdue University Fort Wayne

Adam W. Herbert, President Emeritus of the University

Thomas Ehrlich, President Emeritus of the University

John W. Ryan, President Emeritus of the University

MICHAEL A. MCROBBIE – President. Michael A. McRobbie took office as the 18th president of Indiana University on July 1, 2007. In his 2007 inaugural address, he announced an integrated set of strategic priorities designed to advance IU's fundamental educational and research missions. Those priorities include increasing the amount of space available for teaching and research, enhancing the university's global presence, strengthening life sciences infrastructure and programs, and building upon IU's glorious traditions in the arts and humanities. A native of Australia, McRobbie joined the University in 1997 as Vice President for Information Technology and Chief Information Officer. In 2003, he assumed the additional position of Vice President for Research, and three years later the Trustees of Indiana University appointed him Interim Provost and Vice President for Academic Affairs. McRobbie holds professorships in computer science, informatics, and philosophy, and adjunct professorships in cognitive science and information science on the Bloomington campus. He is also a professor of computer technology at the Purdue School of Engineering and Technology at the IUPUI campus. A member of many national and international industrial, governmental, and scientific boards and committees, McRobbie was a co-founder of the high-performance broadband Asia Pacific Advanced Network, which supports the research and education community all across the Asia-Pacific region. He earned a Bachelor of Arts degree from the University of Queensland, a Doctoral degree at the Australian National University, and in 2007 he received an honorary Doctorate from the University of Queensland. Also in 2007, he became the first sitting IU president to be named an honorary member of the University's Alliance of Distinguished and Titled Professors.

NEIL THEOBALD – Vice President and Chief Financial Officer, as well as Professor of Educational Finance, at Indiana University. Prior to his appointment as Vice President & Chief Financial Officer, Neil Theobald was IU Bloomington's Vice Chancellor for Budgetary Administration and Planning from 2002-06 and Senior Vice Provost, with continued responsibility for finance and administration, in 2006-07. Dr. Theobald received his B.A. in Economics from Trinity College (CT) in 1978 and worked as a corporate executive for two Fortune 500 companies before completing his Ph.D. at the University of Washington in 1988. He was awarded the Flanigan Prize for the outstanding dissertation in the field by the American Educational Finance Association. In addition to serving as President of the American Education Finance Association in 2000-01, Dr. Theobald has been a tenured faculty member at the University of Washington and a visiting professor at the University of Edinburgh (Scotland).

MARYFRANCES MCCOURT – Treasurer. MaryFrances McCourt began as Treasurer of the University and Treasurer of the Trustees in October 2005. Before joining the staff of Indiana University, she was Assistant Treasurer for Agilysys, Inc., a $1.7 billion distributor and reseller of enterprise computer technology solutions headquartered in Cleveland, Ohio. She has held various positions in strategic planning, financial analysis and treasury management with particular focus on operational efficiency, business planning (including acquisitions, divestitures and new business modeling), customer/ vendor and product line profitability analyses and balance sheet management. Ms. McCourt graduated with a B.A. in Economics, magna cum laude, from Duke University and an M.B.A. from Case Western University.

Facilities

Square Footage There are 856 buildings on all campuses of Indiana University encompassing 32.2 million gross square feet, of which approximately 19.9 million square feet is assignable to operating units.

Libraries Indiana University's Library System serves all campuses with separate collections as well as interlibrary loan programs. As of June 30, 2009, the library system holdings include 11.4 million volumes. Indiana University's libraries are open to residents of the State of Indiana as well as University faculty and staff.

The Lilly Library on the Bloomington campus houses Indiana University's collections of rare books and manuscripts. Its holdings number more than 400,000 books, over 7,500,000 manuscripts and 140,000 pieces of sheet music.

Information Technology Services University Information Technology Services (UITS) is responsible for the continued development of a high-performance computing and communications infrastructure and the information technology environment that contains tools and services that support the University's academic, research, and administrative work. Technology tools include one of the nation's largest university-owned supercomputers; a variety of timesharing computers; and hundreds of public-access, Internet-connected workstations. Interconnecting these resources is a high-speed network, the foundation of which is I-Light, a University-owned fiber optic cable connecting the Bloomington and Indianapolis campuses, which is connected to the national Internet2 network. UITS has offices on the Bloomington and IUPUI campuses and employs nearly 700 highly trained professionals to support and expand the University's information technology capabilities. UITS is composed of six divisions: Research Technologies; Learning Technologies; Communication and Support; Enterprise Software; Networks; and Enterprise Infrastructure; all working together to support the IU community in its use of information technology.

Research As of fall 2008, Indiana University, excluding the Fort Wayne Campus, has approximately 1,138,066 assignable square feet of laboratories and service areas used for research purposes, primarily on the Bloomington and IUPUI campuses. The nature and function of this research space ranges from highly specialized to broad multi-disciplinary uses, with an emphasis on life and medical sciences.

Housing Facilities All undergraduate first-year students on the Bloomington campus are required to live in on–campus housing facilities, which currently include residence halls, on-campus apartments, and fraternity and sorority houses. As of fall 2009, the Bloomington campus provided residence hall/dormitory housing for 10,274 students and apartment housing for 1,570 students. Occupancy in Bloomington campus residence halls was 100% and in apartment housing was 99%. On the Bloomington campus, an estimated 4,900 students participate in Greek life in chapters consisting of 29 sororities and 35 fraternities. Chapters that provide on-campus housing include 19 sorority and 19 fraternity houses. As of fall 2009, the residence facilities on the IUPUI campus provided living quarters for 1,130 students, through a combination of apartment style housing, traditional co-ed residence halls, and townhouse units. Occupancy in IUPUI campus housing was 100%. In the summer of 2008, construction was completed on new housing facilities on the South Bend and the Southeast campuses. These facilities can provide living quarters for approximately 400 students on each campus. Housing occupancy on the South Bend and Southeast campuses for the fall of 2009 were 70% and 99%, respectively. These facilities are not included as facilities under the Student Residence System indenture because they were financed under the Consolidated Revenue Bond (CRB) Indenture. Other regional campuses currently have no student residence facilities.

Parking Facilities Parking space is provided for faculty, staff, students and visitors on all University campuses. Use of all parking areas and parking facilities is generally limited to paid permit holders, except for those garages and surface lots provided for visitors that are controlled by daily parking rates. Parking is available at sixteen garages on four campuses and at various surface lots on all University campuses.

Other Facilities Some of Indiana University's other facilities include observatories; television, radio and journalism facilities; theatre and performance facilities; fine art studios; extensive science and medical teaching laboratories; museums of art and archaeology; printmaking facilities; and Bradford Woods – a 2,500 acre outdoor educational facility and nature preserve.

Faculty and Staff

Indiana University's full-time academic administrators, faculty and lecturers consisted of 4,911 persons (including visiting faculty but excluding librarians), as of the fall semester of 2009. The percentage of faculty at Indiana University's Bloomington and IUPUI campuses that have tenure are 72% and 67%, respectively (based upon the number of faculty and administrators with the rank of instructor or above who are eligible for tenure, but excluding librarians).

As of the fall semester of 2009, 87% of Bloomington campus faculty (including visiting faculty) and academic administrator with professional rank hold a doctoral or professional degree. This percentage is 91% at IUPUI; and 86% at the other campuses.

The number of full-time administrators and staff employed by the University totaled 12,548 as of fall 2009. Certain janitorial, craft, maintenance and food service personnel at the University are represented by the American Federation of State, County and Municipal Employees (AFSCME). Certain clerical, technical and support staff personnel of the University are represented by the Communications Workers of America (CWA). University administration meets and confers with each union about specific working conditions under the framework of "Conditions for Cooperation," a policy statement adopted by the Board of Trustees, but does not negotiate collective bargaining agreements. As an instrumentality of the state of Indiana, the University and its employees are not subject to the provisions of the National Labor Relations Act, as amended, but are governed by state law, which prohibits strikes by public employees. AFSCME's and CWA's status as exclusive representatives of certain of the University's employees is conditioned upon their disavowal of the right to strike in accordance with such law and Board of Trustees policy.

Student Admissions

Indiana University attracts students from a variety of backgrounds and geographic locations, with representation from 49 states, Washington D.C., and 165 foreign countries, as of fall 2009. Indiana residents represented 70% of the total enrollment, while 30% were from other states, foreign countries or unknown origin.

The table below sets forth the total number of beginning student applications received, applications accepted, percent accepted, and the percent of acceptances for beginning students who enrolled. These numbers are aggregate numbers, combined for all campuses, except for Fort Wayne, which is administered by Purdue University.

Applications and Enrollments[1]

Academic Year	Applications Received	Applicants Accepted	Percent Accepted	Percent of Accepted Enrolled
2005-06	33,134	27,383	82.6	47.1
2006-07	35,904	28,238	78.6	46.8
2007-08	43,004	30,890	71.8	43.9
2008-09	46,816	33,864	72.3	42.2
2009-10	50,243	36,493	72.6	39.6

Source: University Reporting & Research

[1] Figures reflect all beginning students new to the University, regardless of class, excluding transfers. Beginning students are defined by their matriculation in the fall, or either of the preceding summer sessions, as degree-seeking students. Students who began taking college level coursework while in high school and enrolled as a traditional beginning student during the fall or one of the preceding summer sessions, are also included. This methodology is consistent with external reporting requirements.

In the 2009-10 academic year, for the Bloomington campus the percentage of beginning students ranking in the upper 50% of their high school class was 96%. During the same period the percentage of beginning students ranking in the upper 25% of their high school class was 71%, and the percentage of beginning students ranking in the upper 10% was 34%.

The following table shows the average composite score on the Scholastic Aptitude Test ("SAT") over the past five years for all beginning students new to the University, regardless of class, and excluding transfer students to Indiana University, as compared to the national average:

Average SAT Scores

Academic Year	Indiana University	National
2005-06	1051	1028
2006-07	1053	1021
2007-08	1060	1017
2008-09	1064	1017
2009-10	1068	1016

Source: University Reporting & Research

Student Enrollment

The headcount enrollments for Bloomington, IUPUI and regional campuses of Indiana University, including Fort Wayne, for the fall semester 2005 through 2009 are shown in the following table. The Fort Wayne enrollment numbers indicate the students in Indiana University academic programs on that campus. Purdue University administers and is fiscally responsible for the Fort Wayne campus.

Total Actual Headcount Enrollment by Campus Including Fort Wayne[1]

Fall Semester	Bloomington	IUPUI	Regionals	Total Enrollment
Actual				
2005	37,958	29,933	30,652	98,543
2006	38,247	29,764	29,948	97,959
2007	38,990	29,854	30,278	99,122
2008	40,354	30,300	31,073	101,727
2009	42,347	30,383	34,430	107,160

Source: University Reporting & Research

[1] Beginning in 2006 the University ceased projecting enrollments for the Fort Wayne campus which is administered by Purdue University. However, actual Fort Wayne data is still collected and is included in the above chart.

Projected headcount enrollments for Bloomington, IUPUI and the regional campuses of Indiana University, excluding Fort Wayne, for the fall semester 2010 through 2013 are shown in the following table.

Projected Headcount Enrollment by Campus Excluding Fort Wayne[1]

Fall Semester	Bloomington	IUPUI	Regionals	Total Enrollment
Projected				
2010	41,972	30,435	26,809	99,216
2011	41,670	30,354	26,940	98,964
2012	41,297	30,058	27,305	98,660
2013	41,158	29,802	26,946	97,906

Source: University Budget Office from Fall 2009 Enrollment Study

[1] Beginning in 2006 the University ceased projecting enrollments for the Fort Wayne campus which is administered by Purdue University. Therefore, data in the chart above does not include projections for the Fort Wayne campus.

The following table sets forth the total actual and projected headcount enrollment of undergraduate and graduate students, including professional programs, combined for all campuses, excluding Fort Wayne, for the fall semester of the years indicated. The table also includes full-time equivalent enrollment and total annual credit hours taken. These numbers are reported on an academic year basis, which includes the fall semester noted, the Summer II session that precedes it, and the spring semester and Summer I session of the subsequent year.

Undergraduate and Graduate Enrollment, Full-Time Equivalent Enrollment and Total Annual Credit Hours Taken Excluding Fort Wayne

Fall Semester	Undergraduate	Graduate & Professional	Total	Full-Time Equivalent	Total Annual Credit Hours Taken
Actual					
2005	72,140	19,715	91,855	72,440	2,265,835
2006	71,784	19,629	91,413	72,563	2,271,014
2007	72,540	19,953	92,493	73,786	2,302,300
2008	74,486	20,293	94,779	76,238	2,393,959
2009	78,602	20,838	99,440	80,293	2,513,000[1]
Projected [2]					
2010	78,626	20,590	99,216	79,731	2,496,000
2011	78,250	20,714	98,964	79,378	2,485,000
2012	77,896	20,764	98,660	78,994	2,473,000
2013	77,215	20,691	97,906	78,408	2,454,000

Source: Actual - University Reporting & Research; Projections - University Budget Office from Fall 2009 Enrollment Study

1 Estimated.

2 The projections presented above were prepared in the Fall of 2009. No representation can be made as to the ability of the University to achieve these projections.

Fees

Indiana University operates its programs on a two-semester and summer-session basis. Tuition, fees and other costs of attending Indiana University vary by campus and curriculum. Educational costs charged by the University include instructional fees (which include other fees allocated to debt retirement), fees associated with specific courses and/or academic programs, and room and board (if the student lives on campus). In addition, individual campuses may charge other mandatory fees to support certain campus-based services, e.g. bus service, computing clusters, etc.

Fee Payment Policy Payment may be made in full by a specified date prior to the first day of classes for a particular term, or the student may pay a partial payment with from one to three subsequent installments over a one- to three-month period depending on the plan offered.

Regular Instructional Fee Rates The Board of Trustees of Indiana University establishes fees and charges relating to credit enrollment. On the Bloomington campus, undergraduate students taking between 12 and 17 hours are assessed a flat instructional fee. Graduate students are assessed fees on a credit-hour basis, except for students in the MBA, Law (J.D.) and Optometry (O.D.) programs. On campuses other than Bloomington, fee rates are assessed on a credit-hour basis except for professional students in Medicine and Dentistry.

The tables on the following pages set forth the regular instructional fees for graduate and undergraduate students attending Indiana University for the academic years indicated. Figures are on a per-credit-hour basis unless otherwise indicated. “Returning student” in the following table refers to students who began their schooling prior to Summer Session 2003. See the Annual Instructional Fees section of the report after the tables on the next two pages.

Instructional Fees

Academic Year	2005-06	2006-07	2007-08	2008-09	2009-10
Bloomington Campus					
Undergraduate: per semester (12-17 credit hours)					
Resident - returning student[1]	$2,597.25	$2,753.49	$2,895.25	$3,047.75	$3,194.00
Resident - new student[2]	3,145.35	3,328.44	3,499.80	3,684.15	3,861.00
Non-Resident - returning student[1]	8,786.70	9,249.20	10,100.15	11,241.45	11,882.00
Non-Resident - new student[2]	9,343.70	9,834.60	10,739.40	11,952.95	12,634.50
Undergraduate: per credit hour (< 12 or > 17 credit hours)					
Resident - returning student[1]	162.15	171.90	180.75	190.25	199.40
Resident - new student[2]	196.40	207.83	218.53	230.05	241.10
Non-Resident - returning student[1]	549.20	578.10	631.30	702.65	742.70
Non-Resident - new student[2]	584.05	614.75	671.30	747.15	789.80
Graduate and Professional: per credit hour[3]					
Resident	226.55	241.30	265.43	291.97	291.97
Non-Resident	659.85	702.75	773.03	850.33	850.33
IUPUI Campus					
Undergraduate: per credit hour					
Resident - returning student[1]	158.40	166.94	175.30	184.05	195.46
Resident - new student[2]	187.50	197.46	207.35	217.70	230.76
Non-Resident - returning student[1]	502.10	527.74	575.25	627.00	687.10
Non-Resident - new student[2]	531.75	558.86	609.15	663.95	727.33
Graduate and Professional: per credit hour[3]					
Resident	214.95	226.55	242.40	259.35	272.30
Non-Resident	620.40	653.90	712.75	776.90	819.60
Regional Campus: East					
Undergraduate: per credit hour					
Resident - returning student[1]	131.05	137.60	144.50	151.70	158.68
Resident - new student[2]	149.15	156.55	164.40	172.60	180.54
Non-Resident - returning student[1]	353.30	369.20	395.05	422.70	461.59
Non-Resident - new student[2]	371.75	388.50	415.70	444.80	485.72
Graduate: per credit hour[3]					
Resident	174.40	183.10	195.90	209.60	216.73
Non-Resident	398.90	418.85	448.15	479.50	523.61
Regional Campus: Kokomo					
Undergraduate: per credit hour					
Resident - returning student[1]	131.05	137.45	144.30	151.50	158.30
Resident - new student[2]	149.15	156.45	164.25	172.45	180.25
Non-Resident - returning student[1]	353.30	368.95	394.80	422.45	446.53
Non-Resident - new student[2]	371.75	388.25	415.45	444.55	469.89
Graduate: per credit hour[3]					
Resident	174.40	182.95	195.75	209.45	216.36
Non-Resident	398.90	418.45	447.75	479.10	497.31
Regional Campus: Fort Wayne					
Undergraduate: per credit hour					
Resident	187.65	201.35	210.40	219.85	230.85
Non-Resident	432.80	461.20	488.85	518.15	549.25

Instructional Fees

Academic Year	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Regional Campus: Fort Wayne					
Graduate: per credit hour[3]					
Resident	$231.90	$248.25	$259.40	$271.05	$284.60
Non-Resident	503.40	536.05	568.20	602.25	638.40
Regional Campus: Northwest					
Undergraduate: per credit hour					
Resident - returning student[1]	131.05	138.00	145.40	153.20	160.55
Resident - new student[2]	149.15	157.00	165.40	174.25	182.61
Non-Resident - returning student[1]	353.30	369.15	395.00	422.65	461.96
Non-Resident - new student[2]	371.75	388.45	415.65	444.75	486.11
Graduate: per credit hour[3]					
Resident	171.40	180.50	193.15	206.65	221.10
Non-Resident	398.90	420.05	449.45	480.90	514.55
Regional Campus: South Bend					
Undergraduate: per credit hour					
Resident - returning student[1]	134.50	141.75	148.90	156.40	163.75
Resident - new student[2]	152.75	160.85	168.95	177.45	185.75
Non-Resident - returning student[1]	381.50	400.90	428.95	459.00	485.50
Non-Resident - new student[2]	400.05	420.40	449.85	481.35	509.00
Graduate: per credit hour[3]					
Resident	175.90	185.40	198.40	212.30	220.58
Non-Resident	428.60	456.40	488.35	522.55	542.93
Regional Campus: Southeast					
Undergraduate: per credit hour					
Resident - returning student[1]	131.05	137.65	144.55	151.90	158.89
Resident - new student[2]	149.15	156.60	164.45	172.80	180.58
Non-Resident - returning student[1]	353.30	369.25	395.10	422.75	446.85
Non-Resident - new student[2]	371.75	388.50	415.70	444.80	470.15
Graduate: per credit hour[3]					
Resident	174.40	185.75	200.00	214.00	223.00
Non-Resident	398.90	424.85	454.60	486.40	506.00

Source: University Reporting & Research

1 Students who matriculated on any campus of Indiana University prior to Summer 2003.

2 Students who matriculated Summer 2003 or later.

3 This reflects the majority of graduate students not in professional programs. The professional programs have their own rates, which are higher.

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Annual Instructional Fee The following table sets forth the annual instructional fees for full-time Bloomington campus students, for the academic years indicated. Undergraduate fee rates assume a load of 30 credit hours per year. Undergraduate students new to Indiana University in Summer Session 2003 or later are assessed a higher instructional fee rate than students who began their schooling prior to Summer Session 2003. For the academic year 2009-10, the difference between the new student rate as compared to the returning student rate for residents will be $1,334 at Bloomington; $1,059 at IUPUI, and an average of $657 across the regional campuses (assuming 15 credit hours per semester). These differences will be comparable, but slightly higher, for non-resident students.

Annual Instructional Fees
for Full-Time Bloomington Campus Students

Academic Year	2005-06	2006-07	2007-08	2008-09	2009-10
Undergraduate, Resident (returning student)[1]	$ 5,195	$ 5,507	$ 5,791	$ 6,096	$ 6,388
Undergraduate, Non-resident (returning student)[1]	17,573	18,498	20,200	22,483	23,764
Undergraduate, Resident (new student)[2]	6,291	6,657	7,000	7,368	7,722
Undergraduate, Non-resident (new student)[2]	18,687	19,669	21,479	23,906	25,269

Source: University Reporting & Research
1 Students who matriculated on any campus of Indiana University prior to Summer 2003.
2 Students who matriculated Summer 2003 or later.

Mandatory Fees

During the 2009-10 academic year, new and returning undergraduate students at the Bloomington campus who enrolled in more than 6.0 credit hours paid mandatory fees per year as follows: Health Center Fee - $218.72; Student Activity Fee - $166.82; Technology Fee - $392.46; and Transportation Fee - $113.12. Full-time students at IUPUI pay a mandatory General Fee of $600.00 per year. Rates for part-time students are based on the number of credit hours taken. Students at regional campuses pay a Student Activity Fee and a Technology Fee based on the number of credit hours taken.

Student Budget The following student budget is being used by the Indiana University Bloomington Office of Student Financial Assistance and represents estimated average student costs at the Bloomington campus for the academic year shown.

Student Budget for the 2009-10 Academic Year
for an Undergraduate First-Year Student

Cost of Attendance	Resident	Non-Resident
Room/Board[1]	$ 7,546	$ 7,546
Books/Supplies	792	792
Miscellaneous	2,348	2,348
Transportation	800	800
Subtotal	$11,486	$11,486
Tuition and Fees (new student)	8,613	23,906
Budget (new student)	$20,099	$35,392

Source: University Reporting & Research
1 All undergraduate first-year students on the Bloomington campus are required to live on campus, currently defined as residence halls, on-campus apartments, and fraternity and sorority houses.

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Student Fee Revenues The total amount and composition of student fee revenues of Indiana University, including instructional fees and other fees charged, for each of the fiscal years shown are as follows:

Student Fee Revenues
(dollars in thousands)

Fiscal Year Ended June 30	**2005**	**2006**	**2007**	**2008**	**2009**
Student Fees Per Indenture					
Gross Student Fees	$ 680,045	$730,113	$785,127	$878,229	$985,888
Less Certain Dedicated [1]	(446)	(450)	(452)	(452)	(441)
Student Fees Per Indenture [2]	$679,599	$729,663	$784,675	$877,777	$985,447
Student Fees Per the Financial Report					
Gross Student Fees	$ 680,045	$730,113	$785,127	$878,229	$985,888
Less Scholarship Allowance	(79,785)	(85,566)	(98,006)	(114,154)	(133,054)
Student Fees Net of Scholarship Allowance[2]	$600,260	$644,547	$687,121	$764,075	$852,834

Source: Financial Management Services (student fees and scholarship allowances are from the financial reports of the University for fiscal years ended June 30, 2005 through 2009); University Budget Office (dedicated fees)

1 The University issued bonds prior to 1985 to finance the construction of certain facilities, which bonds are secured by certain dedicated fees. Such dedicated fees are excluded from the definition of "Student Fees" under the applicable indenture. See "Other Indebtedness of the University."

2 The presentation of information in this table has been expanded to reflect the distinction between the calculation of student fees that are subject to the lien of the indenture securing the University's student fee bonds and the required financial reporting presentation of student fees net of scholarship allowances.

Student Financial Aid

Excluding the Fort Wayne Campus, approximately 62% of the students at Indiana University receive financial aid through various programs administered by Indiana University. The following table summarizes the financial aid, including parent loans, provided to Indiana University students for the five fiscal years ending June 30, 2009. A substantial portion of the funds provided are derived from sources outside Indiana University. Historically, federal loans, grants and other programs have provided a large portion of student financial assistance. All programs furnished by the federal and state government are subject to appropriation and funding by the respective legislatures. There can be no assurance that the current amounts of federal and state financial aid to students will be available in the future at the same levels and under the same terms and conditions as presently apply.

Student Financial Aid [1, 2]
(dollars in thousands)

Fiscal Year Ended June 30	**2005**	**2006**	**2007**	**2008**	**2009**
Gifts and Grants	$222,234	$233,515	$279,329	$322,515	$371,747
Loans	398,329	454,240	473,440	497,311	559,674
Other	5,161	5,544	5,209	4,857	4,976
Total Financial Assistance	$625,724	$693,299	$757,978	$824,683	$936,397

Source: University Reporting & Research

1 Excludes Fort Wayne Campus.

2 Excludes Social Security education benefits, off-campus student employment and academic appointment stipends.

Financial Operations of the University

The accompanying financial report (attached as Exhibit A) has been prepared by the University operating as a special-purpose government entity engaged in business-type activities in accordance with standards established by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities.

The University has the option to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure except for those that conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after the applicable date.

The Statement of Revenues, Expenses and Changes in Net Assets of the University, in table format for the fiscal years shown, is on the following page.

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

	2005[1]	2006	2007	2008	2009
Operating revenues					
Student fees	$680,045	$730,113	$785,127	$878,229	$985,888
Less scholarship allowance	(79,785)	(85,566)	(98,006)	(114,154)	(133,054)
Federal grants and contracts	300,711	306,219	286,687	290,929	295,737
State and local grants and contracts	20,627	18,945	25,153	21,100	28,860
Nongovernmental grants and contracts	93,742	113,378	121,853	107,146	127,049
Sales and services of educational units	46,854	48,226	49,108	48,929	61,498
Other revenue	171,819	173,112	185,891	171,284	175,506
Auxiliary enterprises [2]	312,110	320,520	336,397	319,153	332,586
Total operating revenues	**$1,546,123**	**$1,624,947**	**$1,692,210**	**$1,722,616**	**$1,874,070**
Operating expenses					
Compensation and benefits	$1,332,963	$1,380,420	$1,455,868	$1,535,335	$1,632,926
Student financial aid	86,195	93,401	98,061	109,566	125,830
Energy and utilities	44,295	50,334	52,409	57,773	65,447
Travel	30,903	33,373	36,231	39,481	40,397
Supplies and general expense	449,408	461,254	469,503	428,521	449,435
Depreciation and amortization expense	104,700	109,224	111,860	116,683	120,819
Total operating expenses	**$2,048,464**	**$2,128,006**	**$2,223,932**	**$2,287,359**	**$2,434,854**
Total operating loss	**$(502,341)**	**$(503,059)**	**$(531,722)**	**$(564,743)**	**$(560,784)**
Nonoperating revenues (expenses)					
State appropriations	$ 530,565	$ 528,615	$ 527,747	$ 558,022	$ 572,578
Grants and contracts[1]	–	–	46,285	51,317	63,304
Investment income	46,730	47,452	85,462	30,721	(17,607)
Gifts	57,072	61,271	67,398	77,272	76,181
Interest expense	(29,658)	(32,593)	(35,952)	(29,112)[3]	(31,829)
Net nonoperating revenues	**$ 604,709**	**$ 604,745**	**$ 690,940**	**$ 688,220**	**$ 662,627**
Income before other revenues, expenses, gains, or losses	**$ 102,368**	**$ 101,686**	**$ 159,218**	**$ 123,477**	**$ 101,843**
Capital appropriations	$ 2,617	$ 2,471	$ 10,467	$ 12,601	$ 10,248
Capital gifts and grants	12,614	17,008	3,311	10,217	19,980
Additions to permanent endowments	1,543	1,655	2,147	264	
Total other revenues	**$ 16,774**	**$ 21,134**	**$ 15,925**	**$ 23,082**	**$ 30,228**
Increase in net assets	**$ 119,142**	**$ 122,820**	**$ 175,143**	**$ 146,559**	**$ 132,071**
Net assets, beginning of year	1,775,523	1,894,665	2,017,485	2,138,931[3]	2,285,490
Net assets, end of year	**$1,894,665**	**$2,017,485**	**$2,192,628**	**$2,285,490**	**$2,417,561**

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2005 through 2009. See accompanying notes to the financial statements.

1 Certain reclassifications have been made for comparative purposes and do not constitute a restatement of prior periods.

2 Net of scholarship allowance of $10,451; $11,237; $12,245; $13,796; and $15,850 (in thousands) for 2005 through 2009.

3 As restated. See Note 2 to the financial statements in the accompanying Financial Report, attached as Exhibit A.

Budgeting Procedures

The University adopts an operating budget for each fiscal year based on detailed budgets submitted by each of Indiana University's departments. These budgets are reviewed by the President and senior administrative officers before final approval by the Board of Trustees. In conjunction with its budgeting process, the University submits a biennial appropriation request to the State Budget Agency, the Indiana Commission for Higher Education and the General Assembly. The state appropriation includes various components for operations, fee replacement (a form of reimbursement of debt service from the State for debt associated with certain educational facilities), maintenance, research, public service and other special functions. For more information, see "State Appropriations to the University" below. The Board of Trustees takes into consideration the specific amounts of state appropriations authorized by the General Assembly, along with the University's budget requirements and other revenue sources when establishing student fees and other fees for each academic year.

The University has adopted a balanced operating budget for the fiscal year ending June 30, 2010. Total budgeted revenues and expenditures for campuses for which Indiana University has fiscal responsibility are shown in the table below.

Operating Budget for Unrestricted, Restricted and Auxiliary Enterprise Funds [1,2]
(dollars in thousands)

Revenues by Category	**2009-10**
Student Fees	$962,800
State Appropriation	560,900
Grants and Contracts	428,000
Sales and Services	20,300
Auxiliary Enterprises	372,000
Designated and Other Restricted	194,700
Investment	12,700
Gifts	1,400
Other	207,600
Total	$2,760,400
Expenditures by Fund Group [3]	
General	$1,765,600
Designated and Other Restricted	194,700
Subtotal	1,960,300
Grants and Contracts	428,000 [4]
Auxiliary Enterprises	372,100
Total	$2,760,400
General and Other Restricted Expenditures by Function	
Instruction	$948,100
Research and Public Service	48,700
Academic and Student Support	354,400
Physical Plant	165,300
Student Financial Aid	201,500
Institutional Support	242,300
Total	$1,960,300

Source: University Budget Office

1 Excludes Fort Wayne campus.

2 Excludes capital projects, some sources of investment income and most gifts, and scholarship allowance.

3 Net of internal transfers.

4 Includes research, service and instruction expenditures.

In each biennium, the University prepares and updates its ten-year capital improvement plan. This provides the basis for a capital appropriation request which the University submits each biennium to the State Budget Agency, the Indiana Commission for Higher Education, and the General Assembly. The request identifies the projects and their respective purposes, priorities, amounts and funding sources. The General Assembly will approve or decline the various projects submitted by the University, and may include projects which were not on the initial capital plan request. For projects that receive General Assembly approval, specific funding sources for each project will be stipulated. Under the various enabling statutes, the University may only issue debt up to the amount authorized by the General Assembly, exclusive of certain costs of issuance, and other limited exceptions. Not all projects require General Assembly approval.

State Appropriations to the University

The University has historically received, and continues to expect to receive, appropriations from the Indiana General Assembly on an annual basis. These appropriations are applied to the educational and general expenditures of the University, as well as for certain capital construction activities of the University.

Total state operating appropriations for the University were cut by 4.5 percent in fiscal year 2010 and will be cut another 1.5 percent in fiscal year 2011. Funds from the American Recovery and Reinvestment Act of 2009 were appropriated by the General Assembly to replace 100 percent of state operating appropriation cuts. Therefore, total funding appropriated from state and federal dollars are the same as state appropriations for fiscal year 2009.

On December 4, 2009 the Governor announced that general fund support of all of the state's public colleges and universities will be reduced by $150 million over the remaining 18 months of the biennium. This amount represents 6 percent of state general fund support of operating expenses for all state public colleges and universities. The Governor has charged the Commission for Higher Education to work with each institution to determine its share of the cut in operating support. The specific amount of the operating support reduction to be allocated to the University and the related impact on the University's operating budget is not yet known.

The General Assembly has historically appropriated to the University an amount equal to the annual debt service requirements due on certain outstanding Student Fee Bonds (the "Fee Replacement" appropriations). This appropriation is renewed and expanded on a biennial basis because the Constitution of the state of Indiana prohibits a sitting General Assembly from binding subsequent General Assemblies to the continuation of any funds, including Fee Replacement appropriation. Even so, in over 36 years of making Fee Replacement appropriations, the state of Indiana has never failed to fully fund a Fee Replacement obligation established by a prior General Assembly. The University expects that the policy of Fee Replacement appropriations will be continued in future years.

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The table below presents the various state appropriations as appropriated to Indiana University for each of the fiscal years shown below, including the unrestricted general operating appropriation, Fee Replacement appropriations, special restricted appropriations for specific purposes, and general maintenance, repair and rehabilitation & capital appropriations.

State Appropriations as Appropriated[1]
(dollars in thousands)

Fiscal Year Ended June 30	Unrestricted General Operating	Fee Replacement	Restricted Special	General Maintenance, Repair and Rehabilitation and Capital
2005	$462,981 [2]	$53,905	$14,782	$5,233[3]
2006	458,996	55,201	13,676	10,467
2007	458,266[2]	64,072	13,176	10,467
2008	471,724	69,865	15,191	12,601
2009	491,234[4]	73,526	15,977	12,601[4]
2010	491,234	69,701	13,098	12,601[5]
2011	491,234	69,701	13,098	12,601[5]

Source: University Budget Office

1 Amounts as appropriated by the Indiana General Assembly. Amounts distributed to the University may be less than the amounts appropriated (see subsequent footnotes). The data contained herein is provided for informational purposes only and is not supplemental to or in explanation of the information contained in the Statement of Revenues, Expenses and Changes in Net Assets.

2 Beginning with fiscal year 2002 (no longer shown), and through fiscal year 2005, the state withheld one month of operating appropriation. The University recorded accounts receivable for these amounts. Following the action of the 2006 General Assembly, Indiana University received $15,667,060 of this receivable during fiscal year 2007, which had been designated for repair and rehabilitation expenditures. Of the remaining $24,343,840 withheld operating appropriation designated for repair and rehabilitation projects during the 2007-09 biennium, Indiana University received $12,171,920 during fiscal year 2008 and $12,171,920 in fiscal year 2009.

3 One-half of the general repair and rehabilitation funding for the 2003-05 biennium was withheld.

4 Pursuant to a directive from the Governor, in fiscal year 2009, the general operating appropriation of the University was reduced by $6,741,618 and the general maintenance, repair and rehabilitation appropriation was reduced by $12,601,282. The amounts in the table are the originally appropriated amounts and do not reflect these reductions.

5 Total state operating appropriations for the University were cut by 4.5 percent in fiscal year 2010 and will be cut another 1.5 percent in fiscal year 2011. Funds from the American Recovery and Reinvestment Act of 2009 were appropriated by the General Assembly to replace 100 percent of state operating appropriation cuts. Therefore, total funding from state and federal dollars are the same as state appropriations for fiscal year 2009.

Deposits and Investments

Common Fund Short Term Fund Effective September 29, 2008, Wachovia Bank, N.A., as Trustee of the Commonfund for Short Term Investments (the "Short Term Fund") announced its decision to terminate and liquidate the Short Term Fund. Under the liquidation plan, investors in the Short Term Fund will be allowed to withdraw balances based on their proportional interest in the Short Term Fund as assets mature or are sold.

As of June 30, 2009, Indiana University has received approximately 88% of the balances in the Short Term Fund on September 29, 2008, leaving a balance of $51,189,535. This represents less than 5% of total operating funds, at June 30, 2009, of $1,030,857,536. From June 30 through December 18, 2009, an additional $21,922,544, or 5% of the balances in the Short Term Fund on September 29, 2008, was received by the University. Based on representations made by management of the Short Term Fund, the University expects to continue to receive its proportionate share of interim distributions; however it does not expect full repayment to be received until fiscal year 2010 or later. The value of the liquidation proceeds received by Indiana University is not expected to vary significantly from the fair value carried on Indiana University's books, based on the current net asset value of the Short Term Fund. However, the realization of this value will depend upon market conditions including the liquidity of the Short Term Fund's assets during the liquidation period.

Indiana University Foundation

The Indiana University Foundation (the "Foundation") was incorporated in 1936 as a non-profit corporation, separate and distinct from the University, and is empowered to perform a wide range of services and conduct a variety of activities that support Indiana University as it carries out its missions of teaching, research and public service. The Foundation conducts general and special purpose fund raising programs; receives and acknowledges gifts for the benefit of the University; administers those gifts to ensure that they are used as specified by the donor; invests those gifts intended for endowment purposes; serves as trustee for certain types of planned gift arrangements; and provides other services for the benefit of the University as requested from time to time.

The Foundation is governed by a Board of Directors, three members of which must be current members of the Board of Trustees of the University and one member of which must be the President of Indiana University. The assets and income of the Foundation are held and accounted for separately from the funds of Indiana University. As of June 30, 2009, the assets of the Foundation and the assets of the University managed by the Foundation had a market value of $1,642,126,000, the majority of which consisted of funds restricted for University purposes. Distributions from endowment earnings received by the University in fiscal year 2009 totaled approximately $64.8 million, which represents less than 3% of total University revenues during fiscal year 2009.

Assets, net assets, annual income of the Foundation and the annual distributions to the University for the fiscal years ended June 30, 2005 through 2009 are set forth below.

Indiana University Foundation Financial Summary
(dollars in thousands)

Fiscal Year Ended June 30	Assets[1]	Net Assets	Annual Income	Distribution to the University[2]
2005	$1,584,234	$1,143,618	$265,716	$152,704[3]
2006	1,723,646	1,294,294	267,855	79,220
2007	2,128,320	1,632,556	457,011	87,133[3,4]
2008	2,111,129	1,633,177	192,803	145,815[3,4,5]
2009	1,642,126	1,318,118	(156,489)	109,090 [3,4,5]

Source: Indiana University Foundation

1 Assets that the Foundation held for the University and for University affiliates had corresponding liabilities reported on the Indiana University Foundation Statement of Financial Position June 30, 2009, which is contained within the accompanying financial report, attached as Exhibit A. The portion of those Assets held for the University and for University affiliates, which represent endowment funds managed by the Foundation total $156,334,308; $174,610,675; $217,005,780; $197,897,213; and $151,304,670 for the fiscal years ended June 30, 2005 through 2009, respectively. Additional information with respect to University endowment funds is contained within the Endowments section below.

2 These disbursements include transfers to the University as well as program and departmental support.

3 Lilly Endowment, Inc. has provided $177,000,000 in operating grant funds for University support and faculty research over the past several years. During fiscal years ended June 30, 2005, 2007, 2008 and 2009 total disbursements increased significantly due to the transfer of these funds to the University.

4 See Indiana University Foundation Notes to the Financial Statements, June 30, 2009, Note 11, which is an excerpt of the accompanying financial report, attached as Exhibit A.

5 $109,089,653 expended from the Foundation during the fiscal year ended June 30, 2009 was expended from University funds held at the Foundation and an additional $14,370,489 was expended from Foundation unrestricted funds, for a total of $123,460,142 expended from the Foundation during the fiscal year; in the fiscal year ended June 30, 2008, $145,815,179 expended from the Foundation was expended from University funds held at the Foundation and an additional $14,106,272 was expended from Foundation unrestricted funds, for a total of $159,921,451 expended from the Foundation during the fiscal year.

Annual Fund Raising

The Foundation, for the benefit of the University, conducts ongoing annual fund raising campaigns, as well as major gift and special development programs, to raise funds for endowments, capital projects and special programs.

The following table summarizes the annual gift receipts of the University and Foundation for each of the fiscal years indicated:

Giving to the Indiana University Foundation

Fiscal Year Ended June 30	Number of Donors	Receipts (dollars in thousands)
2005	107,486	$150,848 [1]
2006	106,735	110,693
2007	112,195	147,536 [2]
2008	110,461	251,385 [3]
2009	101,341	114,648 [4]

Source: Indiana University Foundation

1 Includes a one-time grant of $53,000,000 from Lilly Endowment, Inc.

2 Includes a one-time grant of $40,000,000 from Lilly Endowment, Inc.

3 Includes a one-time grant of $69,000,000 from Lilly Endowment, Inc.

4 Includes a one-time grant of $15,000,000 from Lilly Endowment, Inc.

Endowments

Endowments are funds in which donors or other outside agencies have stipulated, as a condition of the gift, that the principal be maintained in perpetuity. Funds functioning as endowments are internally designated funds that have not been externally restricted, and for which the principal may be expended.

The market value of endowments and funds functioning as endowments held by the University in each of the fiscal years ended June 30, 2005 through 2009 are indicated below.

Endowments and Funds Functioning as Endowments [1]
(dollars in thousands)

Fiscal Year Ended June 30	Market Value
2005	$161,591
2006	173,927
2007	216,073
2008	197,861
2009	153,533 [2]

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2005 through 2009 – Note 7 to the Financial Statements in the accompanying financial report, attached as Exhibit A.

1 In addition to funds currently managed by the Indiana University Foundation, these figures include other University endowments, with real estate valued at fair value. (See Note 7 to the Financial Statements in the accompanying financial report, attached as Exhibit A.)

2 The market value as of September 30, 2009 for endowments and funds functioning as endowments was $163,866,019 (unaudited).

Physical Plant

As of fall 2008, the various campuses of the University covered a total of 3,639 acres. There are buildings on all campuses of Indiana University encompassing 32.2 million gross square feet, of which 19.9 million square feet is assignable to operating units. Not included in the assignable square feet are service, building and parking garage circulation and construction areas, restrooms, hallways, and wall thicknesses. Academic and administrate activities are assigned 11.0 million square feet; auxiliary enterprise services are assigned 8.9 million square feet.

The following table sets forth Indiana University's net capital assets, for each of the fiscal years shown.

Capital Assets, Net [1]
(dollars in thousands)

Fiscal Year Ended June 30	Capital Assets, Net [1]
2005	$1,769,561
2006	1,839,660
2007	1,933,451
2008	2,048,204
2009	2,197,123

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2005 through 2009

[1] Net of accumulated depreciation.

Capital Program

The University has an ongoing capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects have historically been funded from a variety of sources, including but not limited to state appropriations, debt financing, gifts, and University reserve funds.

The table below shows amounts of student fee bonds authorized by the Indiana General Assembly, such bonds that are subject to Fee Replacement, authorized bonds that have been issued, and authorized bonds that remain unissued by biennium.

Indiana General Assembly Bonding Authority[1]

Biennium	Student Fee Bonds Authorized	Eligible for Fee Replacement	Issued	Unissued[1]
1999-2001	$70,714,000	$70,714,000	$60,214,000	$10,500,000
2001-2003	90,200,000	90,200,000	79,700,000	10,500,000
2003-2005	136,205,000	96,205,000	130,585,060	5,619,940
2005-2007	76,200,000	45,000,000	76,000,000	200,000
2007-2009	111,300,000	66,300,000	63,300,000	48,000,000
2009-2011	133,700,000	114,000,000	0	133,700,000
Total	$618,319,000	$482,419,000	$409,799,060	$208,519,940[1]

Source: Office of the Treasurer
[1] The timing of construction and borrowing for the remaining projects is uncertain at this time.

The University has used its tax-exempt commercial paper (TECP) programs to provide interim financing for certain capital projects and may continue to do so in the future. No TECP is currently outstanding. However, a standby liquidity support agreement with JPMorgan Chase Bank, National Association, which allows for a principal amount of up to $40 million is in place, and could be used in conjunction with future series of commercial paper notes. The liquidity support agreement has a stated expiration date of June 19, 2010 and is renewable, subject to the agreement of both parties.

The University recently created a special purpose Indiana not-for-profit corporation, the Indiana University Building Corporation (IUBC). IUBC is wholly controlled by the University. The sole purpose of IUBC is to assist the University in financing the construction of certain facilities by owning and leasing such facilities to the University in a manner that will allow for certificates of participation (COPs) to be issued as the means of external financing for such facilities. Indiana University Foundation (IUF) previously facilitated COPs financings for the University. IUF assigned and transferred the Biotechnology Research and Training Center and the related COPs Series 2003A obligations to IUBC, effective on June 1, 2009. On December 17, 2009, tax exempt COPs Series

2009A in a par amount of $3,545,000 and taxable COPs Series 2009B in a par amount of $18,420,000 were issued to finance the construction and renovation of three projects on the Bloomington campus including the second phase of a new auxiliary library facility, a cinema-theatre/drama renovation, and the build-out of courtyard space of an academic building to additional instructional space.

The University is in the active planning/development stages for a cyber infrastructure office building, life sciences lab renovations, residence hall renovations, a parking garage and several energy savings projects.

Other Indebtedness of the University

The University is authorized by various acts of the Indiana General Assembly to issue bonds for the purposes of financing the construction of academic and administrative facilities, student housing facilities, student union buildings, halls of music, athletic facilities, parking facilities, hospitals, and research facilities on the Bloomington and IUPUI campuses.

The University has never failed to pay punctually, and in full, all amounts due for principal of and interest on any indebtedness. All debt instruments outstanding as of June 30, 2009 and December 1, 2009 are natural fixed-rate instruments. No variable rate debt, auction rate debt or swaps were outstanding as of June 30, 2009 or December 1, 2009. The total outstanding bonded indebtedness as of December 1, 2009 is summarized in the table that follows.

Facilities Indebtedness
(dollars in thousands)

Type of Issuance	Original Amount	Principal Amount Outstanding
Student Fee Bonds [1]	$1,141,696	$ 439,916[2]
Student Residence System (Housing) [3]	20,620	19,215[4]
Facility Revenue Bonds (Parking)[3]	64,690	23,800[4]
Consolidated Revenue Bonds[4]	252,540	247,465
Student Union Bonds	5,700	0
Certificates of Participation[4]	10,830	8,285
Energy Savings Notes[5]	5,138	4,017
Total	$1,501,214	$ 742,698

Source: Office of the Treasurer

1 Secured by a pledge of Student Fees.

2 This number is net of the accreted value of outstanding capital appreciation bonds ("CABs"). Subsequent to the most recent debt service payment as of August 1, 2009, the principal amount outstanding as of August 1, 2009 for student fee bonds, including the accreted value of the CABs, is $475,226,760.

3 Secured by a pledge of net income of the designated auxiliary enterprises.

4 Payable from certain Available Funds of the University; see "Available Funds."

5 The notes will be repaid from energy savings and are further secured by a junior (subordinate) lien on Student Fees.

Note: This table does not reflect unamortized bond premium. (See Exhibit A, particularly Note 11 to the Indiana University 2008-09 Financial Report.)

Retirement Plans

The University provided retirement plan coverage to 18,649 and 18,187 active employees, as of June 30, 2009 and 2008, respectively, in addition to contributing to the Federal Insurance Contributions Act (FICA) as required by law.

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. PERF administers the multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. All support, technical and service employees with at least a 50% full-time equivalent (FTE) appointment participate in the PERF plan. There were 7,027 and 6,950 active University employees covered by this retirement plan as of June 30, 2009 and 2008, respectively. State statutes authorize the University to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. The annuity savings account consists of contributions set by state statute at three percent of compensation, plus the earnings credited to members' accounts. The University has elected to make the contributions on behalf of the members. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Suite 700, 143 West Market Street, Indianapolis, IN 46204, by calling 317-233-4162 or 1-888-526-1687, or reviewing the Annual Report online at www.in.gov/perf.

Contributions made by the University totaled $20,346,000 and $19,607,000, for fiscal years ended June 30, 2009 and 2008 respectively. This represented a 6.3% University pension benefit contribution for fiscal years ended June 30, 2009 and 2008, and a 3% University contribution for the annuity savings account provisions each year.

PERF Funding Policy and Annual Pension Cost The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The University's annual pension cost and related information, as provided by the actuary, is presented below.

The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. The amortization method and period are level dollar closed over 30 years. The actuarial funding method is entry age normal cost. The employer required contribution is determined using an asset smoothing method. The actuarial valuation date is July 1, 2007.

Actuarial assumptions include: 1) an investment rate of return of 7.25%, 2) a projected salary increase of 4%, and 3) 1.5% cost of living increases granted in each future year, applying to current and future retirees.

The following schedules show the funding progress, net pension obligation, and trend information for PERF for the fiscal years ended on the dates indicated:

	June 30, 2007	June 30, 2008[1]
Annual Required Contribution	$ 12,287,000	$ 11,962,000
Interest on Net Pension Obligation	(342,000)	(231,000)
Adjustment to Annual Required Contribution	390,000	264,000
Annual Pension Cost	$ 12,335,000	$ 11,995,000
Contributions Made	(10,809,000)	(12,794,000)
Increase (Decrease) in Net Pension Obligation	$ 1, 526,000	$ (799,000)
Net Pension Obligation, Beginning of Year	(4,723,000)	(3,197,000)
Net Pension Obligation, End of Year	$ (3,197,000)	$ (3,996,000)

[1]Source: Financial Management Services from the Indiana University 2008-09 Financial Report – Note 15, attached as Exhibit A. Actuarial data for June 30, 2009 was not available at the time of that report.

Fiscal Year Ended June 30	Annual Pension Cost (APC) [1]	Percentage of APC Contributed	Net Pension Obligation
2006	$10,350,000	91%	$(4,723,000)
2007	12,335,000	88%	(3,197,000)
2008	11,994,000	107%	(3,996,000)

Source: Financial Management Services from the Indiana University 2008-09 Financial Report – Note 15, attached as Exhibit A

1 Does not reflect costs attributable to the University's 3% defined contribution benefit. See "Indiana Public Employees' Retirement Fund" above.

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) with four contribution levels. The University contributed $70,676,000 during fiscal year ended June 30, 2009 and $68,657,000 during fiscal year ended June 30, 2008 to TIAA-CREF for the IU Retirement Plan. The University contributed $20,188,000 during fiscal year ended June 30, 2009 and $17,675,000 during fiscal year ended June 30, 2008 to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,693 and 8,527 employees directed University contributions to TIAA-CREF as of June 30, 2009 and 2008, respectively. In addition, 3,492 and 3,195 employees directed University contributions to Fidelity Investments as of June 30, 2009 and 2008, respectively.

In addition to the above, the University provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above. There were 1,242 and 1,300 active employees on June 30, 2009 and 2008, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP); a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The University contributed $2,698,000 and $1,299,000 to IUSERP during fiscal years ended June 30, 2009 and 2008, respectively. The same class of employees hired prior to January 1, 1989, are covered by the 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The 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. During the fiscal year ended June 30, 2009 the University made total payments of $34,183,000 to 399 individuals receiving 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2008 the University made total payments of $33,997,000 to 416 individuals receiving 18/20 Retirement Plan payments.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017-3206.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost The University has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the Trustees of Indiana University. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2009 and 2008, 97 and 100 employees, respectively, were eligible to participate. University contributions related to this plan totaled $997,000 and $937,000 for fiscal years ended June 30, 2009 and 2008, respectively, with no employee contributions.

The following schedule shows the funding policy contributions for the fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation report prepared as of as of July 1, 2006 for the fiscal year ended June 30, 2007, July 1, 2007 for the fiscal year ended June 30, 2008 and July 1, 2008, for the fiscal year ended June 30, 2009:

	June 30, 2007	June 30, 2008	June 30, 2009
Cost of benefits earned during the year	$985,000	$698,000	$696,000
Amortization of unfunded actuarial accrued liabilities	727,000	170,000	473,000
Interest	120,000	69,000	94,000
Funding policy contribution	$1,832,000	$937,000	$1,263,000

Source: Financial Management Services from the Indiana University 2008-09 Financial Report – Note 15, attached as Exhibit A

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The funded statuses of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2007, 2008, and 2009 are as follows:

Actuarial Valuation Date	**July 1, 2006**	**July 1, 2007**	**July 1, 2008**
Actuarial accrued liability (AAL)	$11,685,000	$13,322,000	$16,750,000
Actuarial value of plan assets	8,314,000	11,293,000	11,159,000
Unfunded actuarial liability	$3,371,000	$2,029,000	$5,591,000
Actuarial value of assets as a % of (AAL) (funded ratio)	71.1%	84.8%	66.6%
Annual covered payroll	$8,673,000	$8,933,000	$8,612,000
Ratio of unfunded actuarial liability to annual covered payroll	38.9%	22.7%	64.9%

Source: Financial Management Services from the Indiana University 2008-09 Financial Report – Note 15, attached as Exhibit A

Actuarial assumptions include an 8% asset rate of return and future salary increases of 3% compounded annually for the fiscal year ended June 30, 2009 and an 8% asset rate of return and future salary increases of 3% compounded annually for the fiscal year ended June 30, 2008. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

Additional multiyear trend information regarding the funding progress of the IU Replacement Retirement Plan is provided immediately following the notes to the financial statements.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017-3206.

Postemployment Benefits

Plan Description In addition to providing pension benefits, the University provides certain postemployment benefits for retired employees. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the Plan) under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Plan is a single-employer defined benefit plan administered by Indiana University. The 18/20 Plan provides interim benefits to full time appointed academic and professional staff employees who meet the following eligibility requirements: 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, divided by five. The 18/20 Plan was adopted by the Trustees of Indiana University. Indiana University provides medical care coverage to individuals with Indiana University retiree status and their dependents. The cost of the coverage is borne fully by the individual. However, the retirees participate in the same healthcare plan as current University employees, increasing the University's cost of providing coverage to current employees. The University provides retiree life insurance benefits in the amount of $6,000 to terminated employees with IU retiree status. The health and life insurance plans have been established and may be amended under the authority of the Trustees of Indiana University. 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 of Indiana University. 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 $919,000 and $512,000 in premiums in the fiscal years ended June 30, 2008 and 2007, respectively. The University contributed $47,263,000 and 43,882,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2008 and 2007, respectively.

Annual OPEB Cost and Net OPEB Obligation The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of twenty-five years.

The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and the University's net OPEB obligation as provided by the actuarial results for the fiscal year ended June 30, 2008:

	June 30, 2007	June 30, 2008
Annual required contribution	$47,637,000	$52,164,000
Less Employer contribution	43,882,000	47,262,000
Increase in OPEB obligation	3,755,000	4,902,000
Net OPEB obligation, beginning of year	________	3,755,000
Net OPEB obligation, end of year	$3,755,000	$8,657,000
Percentage of annual OPEB cost	92.1%	90.6%

Source: Financial Management Services from the Indiana University 2008-09 Financial Report – Note 16, attached as Exhibit A

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was 488,523,000 at June 30, 2008, and $475,118,000 at June 30, 2007, and the actuarial value of assets was zero each year, resulting in an unfunded actuarial accrued liability (UAAL) of $488,523,000 at June 30, 2008, and $475,118,000 at June 30, 2007. The covered payroll (annual payroll of active employees covered by the plan) was $868,809,000 for fiscal year 2008 and $858,452,000 for fiscal year 2007 and the ratio of the UAAL to the covered payroll was 56.2 percent for fiscal year 2008 and 55.3 percent for fiscal year 2007.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of Indiana University are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, represents two years of information and in subsequent years will present multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by Indiana University and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between Indiana University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the June 30, 2007 actuarial valuation. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on Indiana University's investments calculated based on the funded level of the plan at June 30, 2008, and an annual healthcare cost trend rate that ranges from 9.5 percent in 20010 to 4.5 percent in 2020. The rate includes a 3 percent inflation assumption. The UAAL is being amortized over 25 years using level dollar amounts on an open group basis.

The following table shows a schedule of funding progress for the current year:

Actuarial Valuation Date	**July 1, 2007[1]**	**July 1, 2008[1]**
Actuarial value of assets (a)	$0	$0
Actuarial accrued liability (AAL)-projected credit (b)	475,118,000	488,523,000
Unfunded AAL (UAAL) (b-a)	$475,118,000	$488,523,000
Funded ratio (a/b)	0.0%	0.0%
Covered payroll (c)	$858,452,000	$868,809,000
UAAL as a percentage of covered payroll ((b-a)/c)	55.3%	56.2%

Source: Financial Management Services from the Indiana University 2008-09 Financial Report – Required Supplementary Information, attached as Exhibit A

1 The standard requires three years of information for this schedule. An additional year of information will be added next year and then it will be the current and two preceding years going forward.

Risk Management and Insurance Information

All facilities of the University are insured under blanket form policies which cover each building/facility for loss up to the total of its replacement cost value for "all risks", subject to a $1,000,000,000 limit. There is one deductible not in excess of $100,000 for each occurrence. The University is self-insured for the first $100,000 on building and contents. The next $5,900,000 is insured by the University's captive insurance company, Old Crescent Insurance, of which $5,000,000 of coverage is 100% reinsured by FM Global. An additional $1,000,000,000 of coverage is available in addition to the initial $6,000,000 of coverage. The University, through its comprehensive general liability policy, provides insurance for liability to third parties arising from accidents on the various premises of the University. The University maintains a program of self-insurance on liability to third parties for the first $100,000; Old Crescent Insurance provides the next $900,000 layer of coverage, with an additional $50,000,000 of excess liability (commercial) coverage above that. See the Indiana University Financial Report, 2008-09 (attached as Exhibit A) Note 14 regarding "Risk Management."

Student Residence System Bonds

The University has agreed not to issue any further bonds under the Student Residence System Indenture. Future revenue bonds for student residence facilities are expected to be issued under I.C. 21-35-3 through the Consolidated Revenue Bond (CRB) Indenture. CRB Series 2008A, which was issued in February 2008, refunded all variable rate Student Residence System bonds outstanding. Fixed rate bonds issued under the Student Residence System Indenture that remain outstanding will continue to have a senior lien on the particular pledged revenues and are further payable from legally available funds of the University.

The information below represents Annual Financial Information and Operating Data required for Student Residence System Bonds.

General

The Student Residence System provides housing facilities, including residence halls, apartments, town homes and suites for students, faculty or staff, visiting faculty, and conference guests of the University, the revenues of which may be pledged under the Indenture.

The Student Residence System consists of twenty-one separate student residence facilities located on the University's Bloomington and IUPUI campuses. The Student Residence System has an aggregate capacity to house 11,844 residents. Certain student residence facilities are not included in the Student Residence System because the facilities are either being converted to use as office space or the facilities have been financed under the CRB indenture.

A majority of the rooms in facilities that comprise the Student Residence System are double-occupancy rooms, but a substantial number of rooms have been converted to single occupancy in response to changing market demands. Funding for this re-investment effort has come almost exclusively from reserves generated from operations, with the exception of the renovation of the Willkie Quadrangle which was financed through the issuance of bonds in 1998. The Bloomington campus' 20-year housing master plan anticipates continued re-investment in facilities of this nature in order to enhance student academic performance and retention rates. Funding for these projects is expected to come from a combination of bond financing and reserve funding.

Facilities on the IUPUI campus have been renovated to increase the overall unit capacity. This was done by reclaiming residential spaces previously used as office spaces and by converting units to a higher occupancy classification due to demand for additional spaces.

The facilities that comprise the Student Residence System, and their capacities as of fall 2009, are:

Bloomington Campus		**IUPUI Campus**	
Student Residence Facility	Capacity	Student Residence Facility	Capacity
Ashton –West	574	Ball Residence Hall	325
BBHN Apartments	141	Campus Apartments on the Riverwalk	751
Briscoe	1,021	Town Homes at IUPUI	56
Campus View	223	Indianapolis System Capacity	1,132
Collins	489		
Evermann Apartments	206		
Forest	1,003		
Foster	1,152		
Hillcrest	42		
Mason	75		
McNutt	1,341		
Read	994		
Redbud Hill	128		
Teter	1,148		
Tulip Tree House	206		
University Apartments	235		
Willkie Quadrangle	754		
Wright	980		
Bloomington System Capacity	10,712		
Total System Capacity			**11,844**

Source: Bloomington Residential Programs and Services; IUPUI Housing and Residence Life

As of fall 2009, occupancy for the combined Student Residence System, which includes certain facilities on the Bloomington and IUPUI campuses, was 100%, up from 99% in the prior year.

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Financial Operations (Student Residence System)

The following table, prepared by the University, presents a summary statement of combined revenues and operating costs for the Student Residence System for the past five years ended June 30.

Summary of Revenues and Operating Costs[1]
Fiscal Years Ended June 30

	Restated 2005	Actual 2006	Actual 2007	Actual 2008[2]	Actual 2009
Operating Gross Income	$44,301,922	$49,632,556	$51,409,954	$55,163,322	$58,288,909
Revenue Fund Adjustment [3]	960,284	1,144,347	1,196,520	318,929	327,910
Adjusted Gross Income	$45,262,206	$50,776,903	$52,606,474	$55,482,251	$58,616,819
Operations & Maintenance Expenses [4]	29,956,139	32,106,902	32,701,485	37,673,049	42,127,554
Net (Pledged) Income	$15,306,067	$18,670,001	$19,904,989	$17,809,202	$16,489,265
Annual Debt Service Requirement	$3,841,137	$4,577,387	$4,786,081	$1,275,715	$1,311,640
Other Uses of Net Income [5]	5,123,781	0	0	0	0
Total	$8,964,918	$4,577,387	$4,786,081	$1,275,715[6]	$1,311,640
Debt Coverage Ratio [7]	1.71	4.08	4.16	13.96[6]	12.57

Source: Financial Management Services from financial report of the University for the fiscal year ended June 30, 2009 - Note 19; Office of the Treasurer

1 These amounts include operating activity for the facilities designated with the issuance of Series 1998 for the Bloomington campus.
2 Fiscal year ended June 30, 2008 amounts have been restated to conform to fiscal year ended June 30, 2009 presentation.
3 Includes amounts on deposit in the Revenue Fund up to 25% of annual debt service.
4 Excludes depreciation expense.
5 Other Uses of Net Income represent capital expenditures on facilities in the System in excess of amounts on hand in related reserve funds as of the beginning of the fiscal year.
6 The reduction in the annual debt service requirement between the fiscal years ended June 30, 2007 and June 30, 2008 was primarily the result of the University refunding variable rate Student Residence System (SRS) bonds with fixed rate Consolidated Revenue Bonds (CRB). The CRB indenture does not include the same coverage calculation requirements as the SRS indenture.
7 As calculated per the annual Net Income coverage covenant requirement.

As of June 30, 2009, the cash balances in the various accounts comprising the System's Revenue Fund, consisting of operating and reserve cash balances, total approximately $49,239,000. The comparable cash balances in these accounts as of June 30, 2008 total approximately $43,345,000.

Beginning in fiscal year 2005-06, the Bloomington campus began phasing in a charge to the student housing operation for related utility expenses. These utility charges are fully integrated into the housing operating cost structure in fiscal year 2009-10.

Facility Revenue System Bonds

The University has agreed not to issue any further bonds under the Facility Revenue Indenture. Future revenue bonds for parking facilities are expected to be issued under I.C. 21-35-3 through the Consolidated Revenue Bond (CRB) Indenture. CRB Series 2008A, which was issued in February 2008, refunded all variable rate Facility Revenue Bonds. Fixed rate bonds issued under the Facilities Revenue Indenture that remain outstanding will continue to have a senior lien on the particular pledged revenues and are further payable from legally available funds of the University.

The information below represents Annual Financial Information and Operating Data required for the Facility Revenue System Bonds.

General Information

The Facility Revenue System consists of various parking facilities located within the University's Bloomington, IUPUI, Kokomo and South Bend parking systems (each a "Parking System"). All parking areas and parking facilities, except visitor lots, on all University campuses are designated by a system of letter coding. Permits issued for parking indicate, by letter, the specific area in which the permit holder can park. Parking areas are assigned on each campus to recognize the needs of the various user groups identified by the University, including faculty, staff, students, handicapped-accessible, visitor, etc.

The permit figures below report on faculty/staff and student permits only. Faculty/staff and student permits are sold throughout the fiscal year. Student permits are typically sold at the beginning of the fall semester, spring semester, and summer sessions. The figures reported below include parking permits sold for the first quarter of the fiscal year indicated.

The purchase of a permit does not guarantee a parking space, and fines are imposed on vehicles without permits or on vehicles that are parked where the displayed permit is not valid. Parking fees are determined annually by campus administration pursuant to recommendations from the Bloomington Transportation Services department, the Indianapolis Parking and Transportation Services department, the Kokomo Administration and Finance department, and the South Bend Parking Services department, for each respective campus.

Bloomington Parking System

The Bloomington Parking System provides parking for faculty, staff, students and visitors to the Bloomington campus. Parking is available at five garages, providing an estimated 2,871 garage spaces, and at various surface lots providing an estimated 16,962 spaces, for a total of 19,833 parking spaces. All parking on the Bloomington campus requires a permit or is cashier controlled. Permits are sold to faculty, staff and students. Permits sold through September 30, 2009, for fiscal year 2009-10, are estimated at 10,637 faculty/staff permits and 9,394 student permits, for a total of 20,031 permits. The cost of a permit varies by type. Faculty/staff permits cost from $114 to $312 per year. The typical full-time student permit costs $96 per year.

IUPUI Parking System

The IUPUI Parking System provides parking for all faculty, staff, students and visitors to the IUPUI campus. Parking is available at nine garages, providing an estimated 8,331 garage spaces, and at various surface lots providing an estimated 10,007 spaces, for a total of 18,338 (17,177 on campus) parking spaces. All parking on the IUPUI campus requires a permit, or is metered or cashier controlled. Permits are sold to faculty, staff and students. Permits sold through September 30, 2009, for fiscal year 2009-10, are estimated at 12,950 faculty/staff permits and 19,250 student permits, for a total of 32,200 permits. The cost of a permit varies by type. Faculty/staff permits cost from $194 to $450 per year. A typical full-time student permit costs $181 per year. Faculty/staff reserved spaces cost $1,671 per year.

Kokomo Parking System

The Kokomo Parking System provides parking for all faculty, staff, students and visitors to the Kokomo campus. Parking is available at one garage, providing an estimated 388 garage spaces, and at various surface lots providing an estimated 985 spaces, for a total of 1,373 parking spaces. All parking on the Kokomo campus, with the exception of visitor parking, requires a permit. Permits are sold to faculty, staff and students. Permits sold through September 30, 2009, for fiscal year 2009-10, are estimated at 391 faculty/staff permits and 2,621 student permits, for a total of 3,012 permits. The cost of a permit varies by type. Student permits are priced according to the number of credit hours enrolled. A typical full-time student permit costs $106 per year. Faculty/staff permits range in price from $106 to $369 per year.

South Bend Parking System

The South Bend Parking System provides parking for all faculty, staff, students and visitors to the South Bend campus. Parking is available at one garage, providing an estimated 695 garage spaces, and at various surface lots providing an estimated 1,821 spaces, for a total of 2,516 parking spaces. All parking on the South Bend campus requires a permit or is cashier controlled. Permits are sold to faculty, staff and students. Permits sold through September 30, 2009, for fiscal year 2009-10, are estimated at 700 faculty/staff permits and 5,882 student permits, for a total of 6,582 permits. The cost of a permit varies by type. Student permits are priced according to the number of credit hours enrolled. A typical full-time student permit costs $137 per year. Staff permits range in price from $172 to $516 per year.

Financial Operations (Facility Revenue System)

The following table, prepared by the University, presents a summary statement of combined revenues and operating costs for the Facility Revenue System for the past five years.

Summary Of Revenues And Operating Costs
Fiscal Years Ended June 30

	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009
Operating Gross Income	$16,468,941	$16,636,375	$17,477,749	$17,438,761	$18,469,597
Revenue Fund Adjustment [1]	1,373,970	1,403,467	1,411,039	985,278	1,052,105
Adjusted Gross Income	$17,842,911	$18,039,842	$18,888,788	$18,424,039	$19,521,702
Operating & Maintenance Expenses [2]	7,822,133	7,646,236	8,035,221	7,362,232	10,259,754
Net (Pledged) Income	$10,020,778	$10,393,606	$10,853,567	$11,061,807	$9,261,948
Annual Debt Service Requirement	$5,495,880	$5,613,867	$5,644,155	$3,941,110[3]	$4,208,420[3]
Other Uses of Net Income	0	0	0	0	0
Total	$5,495,880	$5,613,867	$5,644,155	$3,941,110	$4,208,420
Debt Coverage Ratio[3]	1.82	1.85	1.92	2.81[3]	2.20[3]

Source: Financial Management Services from financial report of the University for the fiscal year ended June 30, 2009 - Note 19; Office of the Treasurer

1 Include amounts on deposit in the Revenue Fund up to 25% of annual debt service.

2 Excludes depreciation expense.

3 The reduction in the annual debt service requirement between the fiscal years ended June 30, 2007 and June 30, 2008 was primarily the result of the University refunding variable rate Facility Revenue System (FRB) bonds with fixed rate Consolidated Revenue Bonds (CRB). The CRB indenture does not include the same coverage calculation requirements as the FRB indenture.

4 As calculated per the annual Net Income coverage covenant requirement.

As of June 30, 2009, the cash balances in the various accounts comprising the System's Revenue Fund, consisting of operating and reserve cash balances, total approximately $19,300,000. The comparable cash balances in these accounts as of June 30, 2008 was approximately $20,166,000.

Consolidated Revenue Bonds

Consolidated Revenue Bonds (CRBs), including the Series 2008A bonds, are unsecured limited obligations of the University, payable solely from the Available Funds. The Bonds are not a general obligation, debt or liability, or a charge against any property or fund of the University or the State of Indiana. The University has covenanted under the Consolidated Revenue Bond Indenture that it will duly and punctually pay or cause to be paid, but solely from Available Funds, which are defined in the paragraph immediately following, the principal or purchase price of, redemption premium, if any, and the interest on the Bonds secured under the Indenture.

Available Funds is defined as (a) Net Income of the Facilities, and (b) any and all other funds of the University, legally available for transfer to the bond and interest sinking fund. The term "Available Funds" includes, but is not limited to, unrestricted operating fund balances, auxiliary fund balances, and certain other fund balances of the University and selected related entities, in each case without any priority among any such fund balances and only to the extent not pledged, restricted, or specifically authorized for other purposes, now or in the future, or otherwise restricted by law. Available Funds does not include (i) student fees pledged for other purposes or otherwise restricted by law; (ii) Prior Encumbered Revenues to the extent of such encumbrance; (iii) other specifically identified revenues or funds pledged or otherwise dedicated or restricted for other purposes; or (iv) moneys appropriated by the Indiana General Assembly and specifically authorized for other purposes or otherwise restricted by law. No assurance can be provided as to the availability or adequacy of any such Available Funds as of any particular date. The University retains the right to use Available Funds for the payment of other obligations of the Issuer and to use any or all Available Funds for other lawful corporate purposes of the University. In particular, Net Income of the Facilities and other Available Funds may be used to pay costs of the facilities financed, to pay financing expenses, other amounts payable under any credit facility, and other amounts payable (such as termination payments, etc.) under a derivative agreement.

The following table presents certain Available Funds balances (unaudited), from which Available Funds the University's Certificates of Participation, Consolidated Revenue Bonds, Facility Revenue Bonds, Student Residence System Bonds and Tax-Exempt Commercial Paper (none outstanding) (see "Other Indebtedness of the University") are payable, as of the end of the fiscal year of the University (June 30), for each of the past five years:

Available Funds [1]
(dollars in thousands)

Fiscal Year Ended June 30	Available Funds [1] As Originally Reported	Available Funds [1] As Restated
2005	$756,384	$690,904[2]
2006	825,984	765,123[2]
2007	969,675	915,978[2]
2008	1,099,732	1,053,259[3]
2009	NA	1,033,364

1 Amounts include all unrestricted net assets of the University as of June 30 of each year, including net income of certain facilities for the preceding year after payment of debt service on the revenue obligations payable from such net income. Amounts also include certain quasi-endowment funds held by the Indiana University Foundation designated for general use by specific schools or departments, that could be used to replace other revenues budgeted for such schools or departments, allowing such budgeted revenues to be applied to debt service on outstanding obligations in the event other Available Funds are not sufficient to pay such debt service.

2 Balances reported for years ended June 30, 2005, 2006 and 2007 have been adjusted to conform to the methodology of the restatement for the year ended June 30, 2008 described below.

3 Balances reported above for the year ended June 30, 2008 include unrestricted net assets that have been restated for the correction of a prior period error, as discussed in detail in Note 2 to the Indiana University 2008-09 Financial Report, attached as Exhibit A. The correction does not affect cash, investments, endowments or liquidity balances. The correction does affect the timing of recognition of interest expense on capital appreciation bonds but does not affect cash flow with respect to the payment of such interest expense and the corresponding receipt of state fee replacement appropriation which reimburses a portion of such interest expense in the year that the interest is paid. Approximately 82% of such interest expense is eligible for fee replacement appropriation in the year the expense is paid. Per GASB requirements, the fee replacement appropriation revenue is recognized in the year it is received. Please refer to Note 2 to the Indiana University 2008-09 Financial Report, attached as Exhibit A, for additional information.




Indiana University
2008-09
Financial Report

INDIANA UNIVERSITY

Financial Report 2008–09

INDIANA UNIVERSITY

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Message from the President

Michael A. McRobbie
President, Indiana University

The Honorable
Mitchell E. Daniels, Jr.
Governor, State of Indiana
State House, Room 206
200 West Washington Street
Indianapolis, IN 46204

Dear Governor Daniels:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2008-09 Financial Report.

As you know, we continue to live in challenging times. The economic downturn facing this country has touched every one of us, and IU is no exception. Over the past year, we have taken a number of measures to trim our budget, increase revenue, and reallocate resources to priority areas. Those measures include:

- freezing all salaries at IU across the board
- putting strict hiring limits in place
- cutting travel budgets by 50 percent
- establishing a committee of health care experts to identify ways to hold down increases in health care costs
- cutting back on marketing and advertising expenses
- outsourcing our bookstores.

Even with these steps, we are not lowering our expectations for excellence, and we are not settling for more modest goals. As I have often said, there is no security in mediocrity or complacency, and there is no safety in standing still. And IU is not standing still. We are continuing to move forward confidently—yet realistically—in the face of our economic challenges. At the same time, we are maximizing efficiency in order to fully meet the educational and economic development needs of Hoosiers across the state.

Ultimately, we know that we need to remain vigilant especially given the situation many families across Indiana are facing as a result of the economic decline.

Making a Major Economic Impact

Such vigilance is crucial because of the central role IU plays throughout the state as we pursue our fundamental education and research missions.

According to recent reports, the total economic impact of IU across Indiana amounts to $4.6 billion annually.[1] That includes only a fraction of the multi-billion dollar impact of Clarian Health Partners, a partnership formed in 1997 among IU, Methodist Hospital, and Riley Hospital for Children.

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[1] "Indiana University Impact Study," Indiana Business Research Center, Kelley School of Business, Indiana University, 2008. http://www.ibrc.indiana.edu/studies/IUimpact/

Additionally, IU faculty, staff, and students donate tens of thousands of hours of volunteer service to enhance their communities. A conservative estimate of the economic benefit of that service amounts to over $14 million annually. And IU leads the state in the number of degrees awarded with nearly 78,000 graduates between 2002 and 2007 alone. That is nearly half of the total number of all baccalaureate, professional, and graduate degrees granted by all colleges and universities in Indiana during that period.

Attracting More and Better-Prepared Students

Higher education is countercyclical. In other words, when the economy declines, university enrollments tend to increase.

Last year, IU topped the 100,000 mark in student enrollment for the first time in its history, and IU Bloomington and IUPUI saw record enrollments top the 40,000 and 30,000 marks, respectively. IU Bloomington also welcomed the largest, brightest, and most diverse freshman class in its history, as well as the largest number of beginning students from Indiana since 1998.

All of this suggests the confidence people place in IU and higher education in general. When times are tough, they turn to education as a means for improvement.

Making Higher Education Affordable

That confidence is reciprocal. Earlier this year, I underscored the confidence we all have in IU's alumni, supporters, and friends when I announced that we had raised the goal for our "Matching the Promise" fundraising campaign from $1 billion to $1.1 billion. This campaign, launched six years ago, was initiated to provide scholarships and fellowships to help keep IU affordable and attractive to high-achieving students, offer funding for faculty chairs to attract and retain leading academic talent, and to construct high-quality teaching and research facilities. We recently surpassed the $1 billion threshold, and we are very confident that we will be able to reach our ultimate $1.1 billion goal sometime next year.

I am extremely proud to say that in the past few years—and with the generous support of our state legislators—we have made significant strides in affordability by increasing the amount available for financial aid grants to in-state undergraduate students by $64 million to a total of $210 million. That represents a 44 percent increase.

And we are continuing to do everything we can to increase this number. To this end, we recently announced an exciting new development at IU: our new "University Incentive Grants" program. Through this program, in-state, undergraduate students at IU will be able to earn $200 to $300 grants by taking a full course load and achieving a B average this academic year. This program is an expansion of the university's Degrees of Excellence initiative, which I announced two years ago and which is helping all of our campuses raise their rates of degree completion by Indiana students.

Increasing Research Productivity

During fiscal year 2009, IU researchers submitted nearly 5,000 proposals for sponsored research worth well over a billion dollars, marking the first time our proposals broke the one billion dollar mark. IU faculty members were awarded $469 million, the third-highest total in university history, which is especially impressive in the face of increasingly fierce competition for such funding.

This is also testimony to the tremendous quality of the research taking place across the university—research that is especially vital during these difficult economic times. We recently announced a $15 million grant to lead the development of FutureGrid, a nationwide supercomputer research network. In addition, to date IU researchers have received more than $38 million of awards through the American Recovery and Reinvestment Act, the federal government's stimulus plan that is providing colleges and universities across the nation with increases in research funding.

We aim to increase our research productivity by establishing two schools of public health—one in Bloomington and one in Indianapolis. Although their core missions will differ, the new schools will collaborate closely to increase the amount of external funding for public health research.

In addition to these changes, the School of Medicine is working to help the state avoid a shortage of health care professionals by expanding its regional medical education programs from 2-year to 4-year programs. This will involve increasing the number of first-year medical students accepted at certain regional medical education centers and developing clinical clerkships at regional centers.

Along with new developments like the Atwater Eye Center in Bloomington, the Medical Education Building in Fort Wayne, the College of Health and Human Services in Gary, the Glick Eye Institute and IU Simon Cancer Center in Indianapolis, and Harper Hall in South Bend, this initiative demonstrates IU's

commitment to educating the next generation of health care professionals and scientific researchers who aim to find cures for diseases that touch Hoosier lives.

Building for a Better Future

Despite all of our success in attracting research funding, IU has yet to meet its full potential as a research university. As I have stated repeatedly over the years, for our faculty to maximize their productivity as teachers, researchers, and scholars, they need more space, and the space we have must be improved where possible.

To this end, IU is in the midst of one of the largest construction efforts in decades. Indeed, this fall we are formally dedicating six new buildings, and we have 15 others under construction or in the planning stages across the university.

Among those we are dedicating is a new $10 million business incubator in Bloomington. The 40,000 square-foot IU Innovation Center will make a transformative difference at IU, providing space for applied research projects in the life sciences and information technology.

Such space has been in very short supply on the IU Bloomington campus. In fact, some of our most talented and enterprising faculty have been driven to explore other space options as they attempt to nurture innovative technologies and launch new start-up companies in the life sciences and in IT. This incubator creates a new state-of-the-art home for those activities at IU.

Moving Research to the Marketplace

These activities have the potential to translate into big business.

Last spring, ANGEL Learning, an Indianapolis-based educational software provider developed almost a decade ago by faculty

members at IUPUI, was acquired by Blackboard Inc. in Washington, D.C., for $100 million. This was the greatest success to date of a start-up company tied to university research, and we are currently undertaking a comprehensive assessment as to how we can more effectively foster the movement of even more promising ideas, processes, and products from IU laboratories to the marketplace.

These are the discoveries and ideas that will drive Indiana's economy in the 21st century.

Expanding Our International Presence

As we look toward the future, we cannot help but recognize the increasingly global nature of the Indiana economy. With an international export market of over $26 billion, the state of Indiana ranks 14th in the nation.[2]

[2] "Indiana: Exports, Jobs, and Foreign Investments," U.S. Dept. of Commerce, International Trade Administration, Aug. 2009. http://www.trade.gov/td/industry/otea/state_reports/indiana.html

In this increasingly competitive global economy, it is vital that IU students expand their international experience. This is a matter of practical necessity. Already, 20 percent of students at IU Bloomington have studied abroad by the time they graduate. Over 2,000 IUB students studied abroad last year—a 22 percent increase over the previous year—and we are currently home to over 6,000 international students, nearly 15 percent of whom are from China. We are actively seeking expanded support for study abroad opportunities.

The university continues to value and expand its partnerships with universities across the globe. Last spring, IU organized the first international alumni reunion in Asia in over a decade. IU currently has more than 8,000 alumni and friends in Asia, and more than 1,200 of the university's 6,000 international students come from Korea each year.

With dramatically expanding economies and some of the world's premier systems of higher education, this region is providing significant educational and research opportunities for students and faculty. During our alumni reunion in Korea, the dean of IU's Maurer School of Law signed an agreement with Sungkyunkwan University on a joint J.D.-M.B.A.

program, which is the first of its kind between a U.S. law school and Asian business school. We also exchanged information with senior leaders at KAIST—considered by many to be the MIT of South Korea.

Indeed, we are working in many different ways to extend educational and research opportunities for our students and faculty around the world.

Conclusion

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

Yours sincerely,

Michael A. McRobbie
President

Message from the Vice President and Chief Financial Officer

Neil Theobald
Vice President and Chief Financial Officer, Indiana University

Greetings to President Michael McRobbie and Trustees of Indiana University:

I am pleased to present the consolidated financial report for Indiana University (IU) for the fiscal year ended June 30, 2009. The economic maelstrom of the last year negatively impacted the balance sheets of universities across the US. According to a recent Wall Street Journal article, 20 universities have had their bond ratings downgraded and another 55 have been issued "negative outlooks" going forward. In such a context, I am pleased to note that not only did IU enter 2009 with one of the highest bond ratings among public universities in the country, but that in March of this year we became one of a handful of universities that Standard & Poor's gave a "positive outlook" for future financial performance.

IU's financial success is due to:

- A state budget situation that—because of outstanding stewardship by Indiana's leaders—is much better than is found in most other states.

- Robust support from externally-funded research, especially in IU's core research initiatives in the life sciences and information technology.

- Skilled responsiveness demonstrated by IU's Board of Trustees during last fall's turmoil, which leaves IU well-positioned for the future. I would like to publically thank the Trustees' Finance & Audit Committee Chair Tom Reilly for his leadership during this difficult period.

Thus, at a time when unemployment in the state and nation is nearing or exceeding 10%, the IU Trustees approved a 2009-10 budget plan that avoided layoffs, provided a $500 bonus this fall to our lower-paid employees, and froze employee health care premiums at last year's level. This budget is the first step in a long-term financial strategy that seeks to transform IU in four ways:

1. Create an even sharper focus by each of IU's seven campuses on their core mission—turning Hoosier teenagers into educated college graduates. Among Indiana's public higher education institutions, IU already is the leader in degree completion. In upcoming years, though, Hoosier families are likely to face new financial challenges. IU is committed to insuring that the cost of an IU bachelor's degree will not erode our leadership position in in-state graduation rates. At the beginning of this academic year, IU announced a merit scholarship program that will begin immediately, for all in-state undergraduate students meeting the following criteria: (a) Completion of 12 or more credit hours in Fall Semester 2009 and Spring Semester 2010 with grade point averages in each semester of 3.0 or higher; and (b) Enrollment in 12 or more credit hours in Fall Semester 2010. Currently, slightly more than one-half of IU's students would qualify for this grant. Our hope is that with the $300 incentive being provided by IU Bloomington and IUPUI, and the $200 incentive at our regional campuses, an even a higher percentage of Hoosiers will complete 12 hours per semester with minimum GPAs of 3.0.

2. A commitment to affordability at our flagship campus in Bloomington that is unmatched by any public university in America. All too often, public discussions of college tuition focus solely on the percentage increase in the sticker price. This narrow focus fails to recognize that students at Indiana University have benefited greatly from the sustained high levels of O'Bannon and 21st Century Scholarship funding provided by the Indiana General Assembly, the herculean fundraising efforts of the IU Foundation, and the truly groundbreaking financial aid initiatives created by Indiana University over the last four years—highlighted by IU's nationally recognized 'wrap-around' 21st Century Covenant and Pell Promise financial aid programs.

3. IU is moving boldly to seek out and hire outstanding new faculty members, while retaining our current excellent faculty. The goal is to recruit and retain outstanding teachers and researchers who will ensure that IU remains fully capable of meeting the needs of our students and our state. An aggressive building plan will allow the IU School of Medicine to strengthen its biomedical and life sciences research capabilities, and IU Bloomington to expand its renowned technology capacity and broaden its array of arts facilities. These investments in improving the capacity of our faculty and quality of our facilities seek to capitalize on major opportunities available to IU in the current economic downturn. IU's relative financial strength

should advantage us in competing with other outstanding research universities for the most sought-after faculty. The current construction trough should allow IU to build new facilities at historically low costs.

4. Just as Hoosier families and Hoosier businesses are tightening their belts this year, IU is reducing on-going non-academic spending over the course of this year by more than $20 million. IU is already recognized by Kiplingers and other observers as a "Best Buy" for higher education. These cost containment efforts seek to insure that IU remains a tremendous value among the country's truly great universities.

These initiatives will assist the university in strengthening its world class reputation, building on its already rising academic rankings.

I encourage you to read the financial report and I appreciate the interest you have taken in Indiana University.

Sincerely,

Neil Theobald
Vice President, Chief Financial Officer, and Professor

Indiana University (university) presents its audited financial statements for the fiscal year ended June 30, 2009, along with comparative data for the fiscal years ended June 30, 2008 and 2007. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the university at the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, which reflects revenues and expenses for the fiscal year; and the Statement of Cash Flows, which provides information on cash inflows and outflows for the university by major category during the fiscal year. The university has provided analysis of major variances that occurred between fiscal years 2008 and 2009 as well as information regarding capital asset and debt administration, and an economic outlook.

Statement of Net Assets

Total assets at June 30, 2009, were $3.81 billion, an increase of $130.8 million over the prior fiscal year. Net capital assets comprised $2.2 billion of the $3.81 billion in assets.

Total liabilities were $1.4 billion at June 30, 2009, which was a $1.2 million decrease since June 30, 2008. Noncurrent liabilities comprised 67%, or $935.7 million, of total liabilities at June 30, 2009.

Total net assets at June 30, 2009, were $2.42 billion, a $132.1 million increase over the prior year, or a 5.8% increase in net assets. The breakout of net assets is shown below for the last three years:

Comparative Statement of Net Assets

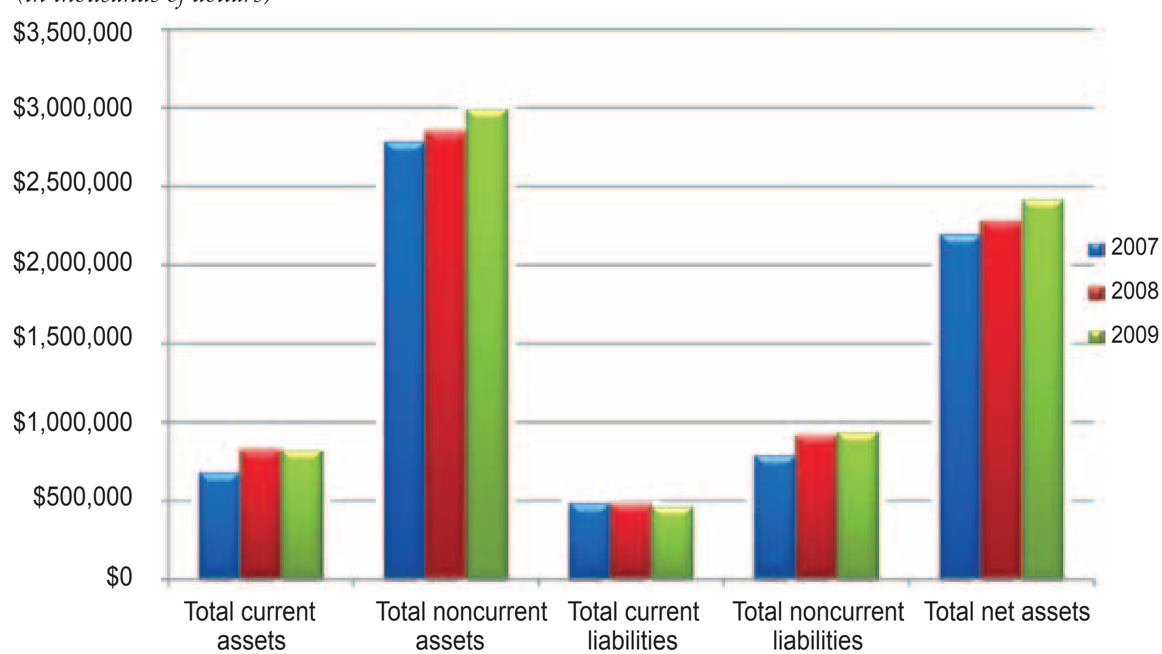
(in thousands of dollars)

	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Invested in capital assets, net of related debt	$ 1,475,395	$ 1,336,766	$ 1,304,656
Restricted net assets	157,711	211,828	223,977
Unrestricted net assets	784,455	736,896	663,995
Total net assets	**$ 2,417,561**	$ 2,285,490	**$ 2,192,628**

The following chart displays the composition of assets and liabilities, both current and noncurrent, and net assets at June 30, 2007, 2008, and 2009:

Comparison of Statement of Net Assets at June 30, 2007, 2008, and 2009

(in thousands of dollars)



Statement of Revenues, Expenses, and Changes in Net Assets

Comparative Revenues, Expenses, and Changes in Net Assets

(in thousands of dollars)

	Fiscal Year Ended:		
	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Operating revenues	$ 1,874,070	$ 1,722,616	$ 1,692,210
Operating expenses	(2,434,854)	(2,287,359)	(2,223,932)
Total operating loss	(560,784)	(564,743)	(531,722)
Nonoperating revenues	694,456	717,332	726,892
Nonoperating expenses	(31,829)	(29,112)	(35,952)
Total other revenues	30,228	23,082	15,925
Increase in net assets	**$ 132,071**	**$ 146,559**	**$ 175,143**

Revenues

University operating revenues for fiscal year ended June 30, 2009 increased by 8.8% over the previous fiscal year. The changes in revenues are as follows:

- Student fee revenues, net of scholarship allowances, were $852.8 million in 2009 compared to $764.1 million in 2008, an overall increase of 11.6%. This increase was due to a combination of increased student fee rates and enrollment growth.
- Federal grants and contracts were $295.7 million in 2009, an increase of 1.7% over the previous fiscal year. This category of revenue includes funds received from the government for financial aid as well as sponsored research, training, and other sponsored activities.
- $28.9 million in state and local grants and contracts were recognized for the fiscal year, compared to $21.1 million in 2008.
- Nongovernmental grants and contracts were $127 million, an increase of $19.9 million over the previous fiscal year.
- Sales and services of educational units increased from $48.9 million to $61.5 million. This was a 25.7% increase from 2008. In 2007 sales and services were $49.1 million.
- Other operating revenue of $175.5 million was an increase of 2.5% over the previous fiscal year of $171.3 million. This includes School of Medicine revenue from private practice plans and hospital agreements. Between 2008 and 2007 other operating revenue experienced a decrease of 7.9%.
- Auxiliary enterprises experienced an increase in revenue of 4.2% or $13.4 million to $332.6 million. Revenue in this category in 2008 and 2007 was $319.2 million and $336.4 million, respectively.

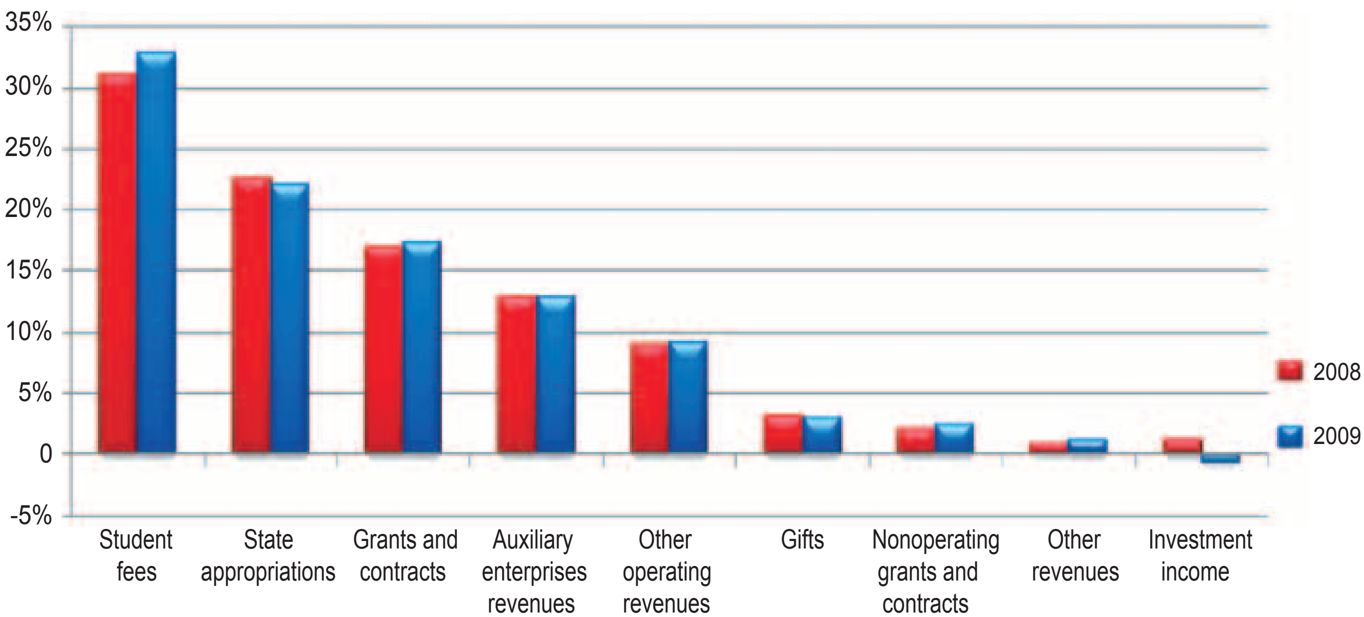
Total nonoperating revenues decreased 3.2% from $717.3 million for fiscal year ended June 30, 2008, to $694.5 million for fiscal year ended June 30, 2009 and includes the following:

- State appropriations, the largest single source of nonoperating revenue for the university, increased from $558 million in 2008 to $572.6 million in 2009. In 2007, state appropriations were $527.7 million.
- Grants and contracts were $63.3 million for 2009, a 23.4% increase over the previous year's revenue of $51.3 million.
- Due to the unrealized and realized losses, investment income decreased 157.3%, from $30.7 million for fiscal year ended June 30, 2008 to a negative $17.6 million for fiscal year ended June 30, 2009. Between fiscal years 2007 and 2008, this category experienced a decrease of 64.1%.
- Gifts decreased 1.4% to $76.2 million, or $1.1 million less than the previous fiscal year. Gifts totaled $77.3 million in 2008 and $67.4 million in 2007.

Other revenues included capital appropriations of $10.2 million, a decrease of $2.4 million over the previous fiscal year; and capital gifts and grants of $20 million, a $9.8 million increase over 2008. There were no additions to permanent endowments in 2009.

In summary, total revenues of the university increased $135.7 million to $2.6 billion, an overall increase of 5.5%. Comparably, 2008 total revenues increased 0.1% and the 2007 increase was 7.3%. The composition of the 2009 and 2008 revenues is displayed in the following graph:

2008 and 2009 Revenues as a Percent of Total



Expenses

Operating expenses were $2.43 billion for fiscal year ended June 30, 2009. This was an increase over the previous fiscal year of $147.5 million, or 6.5%. Changes in the major categories of expenses are as follows:

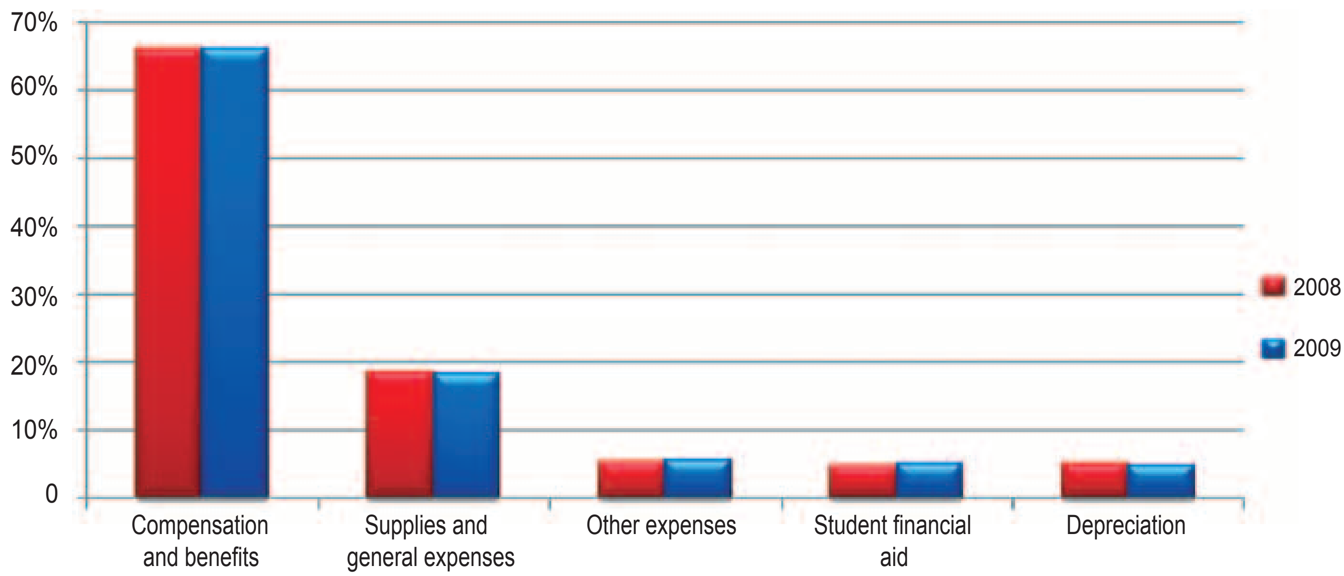
- Total compensation is comprised of academic and staff salaries, hourly compensation, and benefits. This category increased by 6.4%, from $1.54 billion to $1.63 billion. Benefits had the largest increase in this category with a 7.8% increase over the prior year, followed closely by an increase of 6.8% in staff salaries and a 5.4% increase in academic salaries.
- Student financial aid increased from $109.6 million to $125.8 million. This was a 14.8% increase over the previous fiscal year. 2008 experienced an 11.7% increase over 2007.
- Energy and utilities increased 13.3%, from $57.8 million in 2008 to $65.4 million in 2009. The 2008 and 2007 increases were 10.2% and 4.1%, respectively.
- Travel expenses increased 2.3% in 2009, from $39.5 million to $40.4 million. Between 2007 and 2008 the university experienced a 9% increase in travel expenses.

- Supplies and general expense increased by 4.9% in 2009, from $428.5 million to $449.4 million. The 2007 expense for this category was $469.5 million.
- Depreciation and amortization expense of $120.8 million in 2009 is $4.1 million more than in 2008.

Nonoperating expense, interest expense, increased 9.3% between 2008 and 2009, from $29.1 million to $31.8 million.

The following graph displays the composition of total expenses, including operating and nonoperating by major categories:

2008 and 2009 Expenses as a Percent of Total



Gifts

Major gifts are received during the year through the Indiana University Foundation (IU Foundation), a separate not-for-profit organization, whose primary mission is to raise funds for the university. For the 2009 fiscal year a total of $20 million was donated for various capital projects.

Net Assets

Income before other revenues, expenses, gains, or losses was $101.8 million and $123.5 million for fiscal years ended 2009 and 2008, respectively. This represents a decrease of 17.5%. Between 2007 and 2008 income before other revenues, expenses, gains, or losses decreased by 22.4%.

Net assets increased by $132.1 million over the previous fiscal year. Total net assets were $2.42 billion for fiscal year 2009, compared to net assets at June 30, 2008, of $2.29 billion. This was a 5.8% increase in net assets. Comparatively, net assets increased 4.2% between 2007 and 2008.

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of an institution by providing relevant information about the cash receipts and cash payments of an entity during a certain period. It assists in determining whether an entity has the ability to generate future net cash flows to meet its obligations as they become due, and to determine the need for external financing.

Comparative Statement of Cash Flows

(in thousands of dollars)

	Fiscal Year Ended:		
	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Net cash provided (used) by:			
Operating activities	$(441,935)	$(427,854)	$(431,904)
Noncapital financing activities	722,257	698,970	661,346
Capital and related financing activities	(261,661)	(174,292)	(194,322)
Investing activities	(40,275)	93,896	(128,010)
Net increase (decrease) in cash and cash equivalents	(21,614)	190,720	(92,890)
Beginning cash and cash equivalents	574,506	383,786	476,676
Ending cash and cash equivalents	**$ 552,892**	**$ 574,506**	**$ 383,786**

Cash used by operating activities increased by $14.1 million. The use of cash was impacted by a $95.1 million increase from the previous year in payments to employees and an $81.2 million increase in payments to suppliers. These changes in cash outlays for expenditures were offset by increases of $91.5 million from student fees and $23.4 million in grants and contracts receipts. Increases in cash receipts of $18.6 million and $14.2 million occurred with sales and services of educational activities and auxiliary enterprises, respectively.

Cash provided by noncapital financing activities increased $23.3 million, including collections of state appropriations and nonoperating grants. Gifts and grants received for other than capital purposes decreased $2.9 million in 2009, from $77.2 million in 2008.

Cash flows from capital and related financing activities decreased by $87.4 million. The primary driver was a decrease in the proceeds from issuance of capital debt from $289.8 million in 2008 to $73.8 million in 2009. Cash outlays affecting this category also include a decrease in refunding and principal paid on capital debt of $174.9 million.

Cash flows from investing activities decreased $134.1 million.

Capital Asset and Debt Administration

The university made significant investments in capital during fiscal year 2009 (see Note 8). New facilities were funded by bond issues, renewal and replacement reserves, and gifts. Some of the more

Hutton Honors College,
IU Bloomington

significant facilities that came on-line this year are as follows:

The South Bend campus crossed a major milestone in August 2008 with the opening of a new student apartment complex. These facilities represent the first student housing available on the campus. The nine-building, 400 bed complex features 1, 2 and 4 bedroom suites and a community building. The complex community building provides laundry facilities, a computer lab, study rooms, fitness equipment and a great room. The total building cost was $17.8 million. Located along the St. Joseph River, housing is now just a short walk across the pedestrian bridge. The complex also features a cycle and pedestrian trail between the buildings and the St. Joseph River.

The Southeast campus also opened student housing for the first time in August 2008. The five-building complex features 1, 2, and 4 bedroom apartments. Located at both ends of a lake, each of the buildings is called a Lodge with the suites opening to an internal great room for community interaction. The Lodges are also equipped with laundry facilities, computer labs, and study rooms. The five lodges will accommodate up to 400 students. The total cost of the buildings was $19 million.

The Joseph E. Walther Hall on the Indiana University-Purdue University Indianapolis (IUPUI) campus was occupied April 2009. The facility added space for approximately 90 new faculty members whose focus will be solving problems related to cancer and cancer treatments. This new research facility will complete a three building, 500,000 square-foot interconnected research complex where scientists can collaborate by sharing their work and vision. The building will incorporate research labs, instrumentation rooms, tissue culture rooms, a BSL3 Research Lab Suite, Vector Production Suite, and a Cell Repository/DNA Serum Bank. The total cost of the building was $81 million.

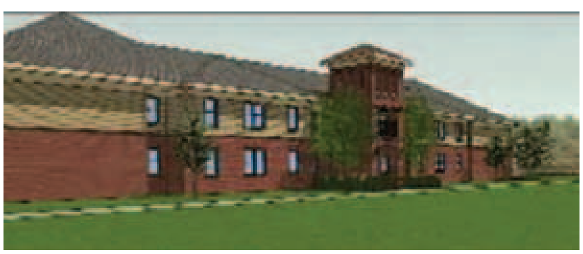
Several facilities that will further enhance the mission of the university are in the planning and design phase. The following have been approved by the Board of Trustees:

The Cyber Infrastructure Office Building on the Bloomington Campus will be located at the 45/46 Bypass North of Tenth Street and the former University School Complex. The Building will include administrative space that will accommodate University Information Technology Services (UITS), a large auditorium, campus-wide and statewide technology support facilities, and building-wide support facilities. The building will allow for the consolidation of the many UITS divisions currently distributed across campus. It will include spaces that encourage exchange and foster collaboration and sharing. The estimated project cost is $35.7 million and will be funded by academic facility bonds and university funds.

Joseph E. Walther Hall, IUPUI

Above and below: Student apartment complex, IU South Bend

Above, at right, and below: Student Lodges, IU Southeast



A five-level parking garage on the IUPUI campus will provide approximately 1,300 parking spaces when completed. The garage will serve the Informatics and Communications Technology Complex, Inlow Hall, Engineering Science and Technology, Engineering and Technology, Science Building and the University Library. The facility is designed and located such that new buildings could be built on adjacent sides, thereby enclosing it as the center of a building complex. The estimated project cost is $18.5 million and will be funded by parking operations revenues.

The Neurosciences Research Building will continue Indiana University and the School of Medicine's focus on expanding and strengthening the biomedical and life sciences research capability of the university. Located on the IUPUI campus, the building will provide additional laboratory-research space for new scientists and expansion space for existing psychiatric and neuroscience research. The estimated project cost is $53 million and will be funded by academic facilities bonds and university funds.

Tamarack Hall on the Northwest Campus will be demolished and replaced after flooding in 2008. This facility provides critical academic, administrative, and support space for the campus. Replacement of the existing facility, which is over fifty years old, will include updated space for performing and fine arts, instructional media, minority studies, history and philosophy, general classrooms and campus police. The estimated project cost is $33 million and will be funded with academic facilities bonds and insurance proceeds.

A major renovation of the Education and Arts building on the South Bend Campus will accommodate several academic departments, various student areas, a wide array of shared facilities and an art gallery. The project is estimated to cost $27 million and will be funded by academic facilities bonds.

An Education and Technology Building on the Southeast campus will provide expanded space for the current and future programs of the School of Education and the Purdue College of Technology. A number of shared facilities are planned allowing both units more flexibility and access to specialized areas. This partnership between Indiana University and Purdue University will achieve savings in building costs for both institutions. The estimated project cost is $22 million and will be funded by academic facilities bonds.

In March 2009, the university issued Consolidated Revenue Bonds, Series 2009A in the amount of $75 million to finance the acquisition, construction and equipping of:

- Ashton Housing Complex on the Bloomington campus
- University Place food court renovation on the Indianapolis campus
- The parking lot expansion on the Southeast campus

The university's ratings on debt obligations were last reviewed and updated in March 2009. On March 18, 2009, Moody's Investors Service reaffirmed its previous underlying rating of 'Aa1' on student fee bonds, student residence system, facility revenue bonds, consolidated revenue bonds, and 'P-1' on commercial paper. Moody's assigned a stable outlook. On March 18, 2009, Standard and Poor's Credit Market Services (S&P), a Division of the McGraw-Hill Companies, reaffirmed its previous underlying rating of 'AA' on student fee bonds, student residence system, facility revenue bonds, consolidated revenue bonds and assigned a positive outlook. It also reaffirmed its previous rating of 'A1+' on commercial paper.

Economic Outlook

The State of Indiana provides approximately 24% of Indiana University's total financial resources during a fiscal year. Coincident with the national recession, fiscal year 2009 provided many financial challenges for the State as revenues consistently underperformed expectation and revenue forecasts produced in December 2008, and April and May 2009 each reduced prior projections significantly. While final fiscal year 2009 revenues met the May forecast, total revenues year over year were nearly 7.5% less than fiscal year 2008. Reflecting unemployment that exceeded 10 percent, income tax collections were down 10.8% compared to the prior year while sales tax revenues (after adjusting for a a rate increase) was down nearly 4.7% from fiscal year 2008.

Looking ahead to fiscal year 2010, revenue growth expectations are a very modest 1.6%, reflecting continued concerns about the economy. Contributing to these concerns is Indiana's continued reliance on manufacturing, especially automobile assembly and components production, an industry that has been hit particularly hard by the recession. Indiana typically experiences a lag in an economic recovery compared to the nation as a whole and such a lag is likely to occur with a recovery from the current recession.

Student enrollment for the university is projected to remain strong during the 2009-10 academic year. Overall, the financial position of the university is favorable and management will continue to monitor state and national economic conditions as part of its critical financial decision making process.

The university is not aware of any additional facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during the next fiscal year beyond those unforeseen variations having a global effect on virtually all types of business operations.

IU Data Center,
IU Bloomington

Indiana University Statement of Net Assets

(in thousands of dollars)

	June 30, 2009	June 30, 2008 as restated
Assets		
Current assets		
Cash and cash equivalents	$ 552,892	$ 574,506
Accounts receivable, net	107,947	114,030
Current portion of notes and pledges receivable	13,295	11,086
Inventories	11,724	9,501
Short-term investments	43,601	20,351
Securities lending assets	63,600	77,920
Other assets	27,686	21,739
Total current assets	820,745	829,133
Noncurrent assets		
Accounts receivable	14,772	15,303
Notes and pledges receivable	66,770	75,406
Investments	714,836	715,369
Capital assets, net	2,197,123	2,048,204
Total noncurrent assets	2,993,501	2,854,282
Total assets	**3,814,246**	**3,683,415**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	205,363	211,032
Deferred revenue	139,630	138,069
Current portion of capital lease obligations	1,242	1,518
Current portion of long-term debt	51,172	51,312
Securities lending liabilities	63,600	77,920
Total current liabilities	461,007	479,851
Noncurrent liabilities		
Capital lease obligations	2,730	9,064
Notes payable	11,457	4,101
Assets held in custody for others	67,958	66,577
Deferred revenue	40,097	48,729
Bonds payable	749,181	725,723
Other long-term liabilities	64,255	63,880
Total noncurrent liabilities	935,678	918,074
Total liabilities	**1,396,685**	**1,397,925**
Net Assets, as restated		
Invested in capital assets, net of related debt	1,475,395	1,336,766
Restricted for:		
Nonexpendable - endowments	19,088	27,859
Expendable		
Scholarships, research, instruction and other	92,627	125,129
Loans	24,239	23,182
Capital projects	16,595	14,122
Debt service	5,162	21,536
Unrestricted	784,455	736,896
Total net assets, as restated	**2,417,561**	**2,285,490**
Total liabilities and net assets	**$ 3,814,246**	**$ 3,683,415**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Financial Position
As of June 30, 2009

	Unrestricted		Temporarily Restricted		Permanently Restricted		
Assets:	**Foundation**	**Agency**	**Foundation**	**University**	**Foundation**	**University**	**Total**
Cash and cash equivalents	$ -	$ 7,976,397	$ -	$ 142,472,674	$ -	$ -	$ 150,449,071
Collateral under securities lending agreement	3,451,737	13,571,667	698,293	26,035,504	1,663,051	60,660,050	106,080,302
Receivables and other assets	10,598,577	242,064	15,588	2,280,588	30,872	9,098,028	22,265,717
Promises to give, net	9,052	-	2,398,932	68,370,338	743,046	76,334,818	147,856,186
Investments	39,382,014	149,761,952	7,647,549	287,241,089	18,343,890	668,995,262	1,171,371,756
Property, plant and equipment, net	44,103,390	-	-	-	-	-	44,103,390
Total assets	$ 97,544,770	$ 171,552,080	$ 10,760,362	$ 526,400,193	$ 20,780,859	$ 815,088,158	$ 1,642,126,422
Liabilities and net assets:							
Liabilities:							
Accounts payable and other	$ 3,913,127	$ 2,320,007	$ 65,758	$ 5,043,126	$ 278,960	$ 10,490,891	$ 22,111,869
Payable under securities lending agreement	3,451,737	13,571,667	698,293	26,035,504	1,663,051	60,660,050	106,080,302
Debt	11,164,198	-	-	-	-	58,083	11,222,281
Accrued trust obligation to life beneficiaries	685,942	-	3,333,723	5,529,035	452,590	18,932,341	28,933,631
Due to (from)	62,327,029	-	86,648	(63,370,395)	7,272	949,446	-
Interfund financing	(5,400,000)	-	-	5,400,000	-	-	-
Assets held for the University	-	142,899,539	-	-	-	-	142,899,539
Assets held for University affiliates	-	12,760,867	-	-	-	-	12,760,867
Total liabilities	76,142,033	171,552,080	4,184,422	(21,362,730)	2,401,873	91,090,811	324,008,489
Net assets	21,402,737	-	6,575,940	547,762,923	18,378,986	723,997,347	1,318,117,933
Total liabilities and net assets	$ 97,544,770	$ 171,552,080	$ 10,760,362	$ 526,400,193	$ 20,780,859	$ 815,088,158	$ 1,642,126,422

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets

(in thousands of dollars)

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008 as restated
Operating revenues		
Student fees	$ 985,888	$ 878,229
Less scholarship allowance	(133,054)	(114,154)
Federal grants and contracts	295,737	290,929
State and local grants and contracts	28,860	21,100
Nongovernmental grants and contracts	127,049	107,146
Sales and services of educational units	61,498	48,929
Other revenue	175,506	171,284
Auxiliary enterprises (net of scholarship allowance of $15,850 in 2009 and $13,796 in 2008)	332,586	319,153
Total operating revenues	**1,874,070**	**1,722,616**
Operating expenses		
Compensation and benefits	1,632,926	1,535,335
Student financial aid	125,830	109,566
Energy and utilities	65,447	57,773
Travel	40,397	39,481
Supplies and general expense	449,435	428,521
Depreciation and amortization expense	120,819	116,683
Total operating expenses	**2,434,854**	**2,287,359**
Total operating loss	**(560,784)**	**(564,743)**
Nonoperating revenues (expenses)		
State appropriations	572,578	558,022
Grants and contracts	63,304	51,317
Investment income	(17,607)	30,721
Gifts	76,181	77,272
Interest expense	(31,829)	(29,112)
Net nonoperating revenues	**662,627**	**688,220**
Income before other revenues, expenses, gains, or losses	**101,843**	**123,477**
Capital appropriations	10,248	12,601
Capital gifts and grants	19,980	10,217
Additions to permanent endowments	–	264
Total other revenues	**30,228**	**23,082**
Increase in net assets	**132,071**	**146,559**
Net assets, beginning of year, as restated	**2,285,490**	**2,138,931**
Net assets, end of year	**$ 2,417,561**	**$ 2,285,490**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Activities
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted University	Total
Revenue and support:						
Contributions, net	$ 1,011,343	$ 179,318	$ 71,536,635	$ 2,516	$ 27,572,743	$ 100,302,555
Investment income including net gains (losses), net of outside investment management fees	(8,047,691)	(1,994,412)	(35,576,896)	(7,361,340)	(243,207,897)	(296,188,236)
Management/administrative fees	13,638,382	(185)	(10,587,406)	-	(1,111,246)	1,939,545
Grants	-	-	21,020,500	-	-	21,020,500
Other income	7,259,431	40,500	3,987,897	53	225,673	11,513,554
Development service fees from the University	4,923,219	-	-	-	-	4,923,219
Net assets released from restriction	108,625,096	436,154	(109,305,287)	-	244,037	-
Total revenue and support	127,409,780	(1,338,625)	(58,924,557)	(7,358,771)	(216,276,690)	(156,488,863)
Expenditures:						
Program expenditures	123,460,142	-	-	-	78,112	123,538,254
Management and general	11,807,686	8,776	(1,244,860)	(173)	(907,520)	9,663,909
Fund raising	14,781,099	-	-	-	-	14,781,099
Change in value of split interest agreement obligation to life beneficiaries	680,144	444,139	1,895,806	139,694	7,427,472	10,587,255
Total expenditures	150,729,071	452,915	650,946	139,521	6,598,064	158,570,517
Change in net assets:						
Unrestricted	(23,319,291)	-	-	-	-	(23,319,291)
Temporarily restricted	-	(1,791,540)	(59,575,503)	-	-	(61,367,043)
Permanently restricted	-	-	-	(7,498,292)	(222,874,754)	(230,373,046)
Total change in net assets	(23,319,291)	(1,791,540)	(59,575,503)	(7,498,292)	(222,874,754)	(315,059,380)
Beginning net assets	44,722,028	8,367,480	607,338,426	25,877,278	946,872,101	1,633,177,313
Ending net assets	$ 21,402,737	$ 6,575,940	$ 547,762,923	$ 18,378,986	$ 723,997,347	$ 1,318,117,933

The accompanying notes are an integral part of these financial statements.

Indiana University Statement of Cash Flows

(in thousands of dollars)

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Cash Flows from Operating Activities		
Student fees	$ 857,522	$ 766,000
Grants and contracts	429,288	405,897
Sales and services of educational activities	66,624	47,988
Auxiliary enterprise charges	329,765	315,580
Other operating receipts	183,746	165,802
Payments to employees	(1,621,284)	(1,526,190)
Payments to suppliers	(566,558)	(485,354)
Student financial aid	(128,528)	(112,375)
Student loans collected	15,563	9,411
Student loans issued	(8,073)	(14,613)
Net cash used in operating activities	**(441,935)**	**(427,854)**
Cash Flows from Noncapital Financing Activities		
State appropriations	584,501	570,194
Nonoperating grants and contracts	63,304	52,356
Gifts and grants received for other than capital purposes	74,276	77,206
Direct lending receipts	512,207	440,162
Direct lending payments	(512,031)	(440,948)
Net cash provided by noncapital financing activities	**722,257**	**698,970**
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	10,248	12,601
Capital grants and gifts received	6,922	47,340
Purchase of capital assets	(254,898)	(261,030)
Proceeds from issuance of capital debt, including refunding activity	73,766	289,754
Principal payments on capital debt, including refunding activity	(50,075)	(224,948)
Principal paid on capital leases	(1,906)	(1,760)
Interest paid on capital debt and leases	(45,718)	(36,249)
Net cash used in capital and related financing activities	**(261,661)**	**(174,292)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	1,500,824	2,239,333
Investment income	27,114	40,658
Purchase of Investments	(1,568,213)	(2,186,095)
Net cash provided (used) by investing activities	**(40,275)**	**93,896**
Net increase (decrease) in cash and cash equivalents	**(21,614)**	**190,720**
Cash and cash equivalents, beginning of year	574,506	383,786
Cash and cash equivalents, end of year	$ 552,892	$ 574,506

See accompanying notes to the financial statements.

(Continued from previous page)

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

(in thousands of dollars)

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Operating loss	$ (560,784)	$ (564,743)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	120,819	116,683
Loss on disposal of capital assets	4,175	22,246
Changes in assets and liabilities:		
Accounts receivable	(72)	6,450
Inventories	(2,223)	6,158
Other assets	(5,947)	(804)
Notes receivable	6,251	(3,311)
Accounts payable and accrued liabilities	(9,303)	11,887
Deferred revenue	(7,071)	(29,370)
Assets held in custody for others	1,381	654
Other noncurrent liabilities	10,839	6,296
Net cash used in operating activities	**$ (441,935)**	**$ (427,854)**

See accompanying notes to the financial statements.

Note 1—Summary of Significant Accounting Policies

ORGANIZATION: Indiana University (university) is a state-supported institution that is fiscally responsible for operations and has students enrolled on seven campuses. Campuses are located in Bloomington, Indianapolis (IUPUI), Richmond (East), Kokomo, Gary (Northwest), South Bend, and New Albany (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, under Indiana Code Section IC 20-12-23, in 1838, changing the name of its predecessor, Indiana College, to Indiana University. The university's governing body, the Trustees of Indiana University (trustees), is comprised of nine members charged by the Indiana General Assembly 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 classified as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Certain revenues of the university may be subject to federal income tax as unrelated business income, as defined in section 513 of the Internal Revenue Code. Note 17 describes an organization related to the university, the nature of the relationship and pertinent financial information of the organization.

FINANCIAL STATEMENT PRESENTATION: As a component unit of the state, the university presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities.* GASB No. 35 allows public colleges and universities to report as a business type activity under GASB No. 34, which requires a comprehensive, entity-wide presentation of the university's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

BASIS OF ACCOUNTING: The accompanying financial statements have been prepared by the university operating as a special-purpose government entity engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities.

The university has the option to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure, except for those that conflict with or contradict GASB pronouncements. The university has elected not to apply FASB pronouncements issued after the applicable date.

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, as required by GASB Statement No. 14, *The Financial Reporting Entity.* As additionally required by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* organizations that raise and hold economic resources for the direct benefit of the university are included in the reporting entity. The university evaluates potential component units for inclusion in the reporting entity based on these criteria.

DISCRETE COMPONENT UNIT: The Indiana University Foundation, Inc. (IU Foundation) is organized as a not-for-profit corporation under the laws of the State of Indiana for the exclusive purpose of supporting the university by receiving, holding, investing, and administering property and making expenditures to or for the benefit of the university. The IU Foundation is considered a component unit of the university according to the criteria in GASB No. 39 and the university's financial statements include discrete presentation of the IU Foundation by displaying the IU Foundation's audited financial statements in their original formats on separate pages.

The IU Foundation is a not-for-profit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different 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 $109,090 and $145,815 to the university during fiscal years 2009 and 2008, respectively. Complete financial statements for the IU Foundation can be obtained from: Indiana University Foundation, Attn: Controller, PO Box 500, Bloomington, IN 47402.

BLENDED COMPONENT UNIT: In September 2008, the Trustees of Indiana University directed, by resolution, that the Indiana University Building Corporation (IUBC) be formed to serve specific purposes on behalf of the university and designated that certain of the university's 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.

CASH EQUIVALENTS: The university considers all highly liquid investments with maturities of three months or less to be cash equivalents. The university invests operating cash in investments with varying maturities. Investment maturities are evaluated as of the financial statement date for purposes of liquidity classification.

INVESTMENTS: Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Unrealized gains and losses are reported as investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTES AND PLEDGES RECEIVABLE: Notes receivable consist primarily of student loans. A pledge receivable is recorded at the time the pledge is measurable, probable of collection, and all applicable eligibility requirements have been met.

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

DEFERRED REVENUE: Deferred revenue is recorded for amounts received for student tuition and fees and for certain auxiliary goods and services prior to year end, but which relate to the subsequent fiscal year. Amounts received from contract and grant sponsors that have not yet been earned are also recorded as deferred revenue.

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.

NET ASSETS: The university's net assets are classified for financial reporting in the following net asset categories:

- *Invested in capital assets, net of related debt:* This component of net assets includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- *Restricted net assets—nonexpendable:* Nonexpendable restricted net assets 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 net assets—expendable:* Restricted expendable net assets are resources the university is legally obligated to spend in accordance with externally imposed restrictions.
- *Unrestricted net assets:* Unrestricted net assets are not subject to externally imposed restrictions and are used for meeting expenses for academic and general operations of the university.

(dollar amounts presented in thousands)

When an expense is incurred for which both restricted and unrestricted resources are available, the decision whether to apply restricted or unrestricted resources first is a management matter, and the decision is made based on the relevant facts and circumstances.

REVENUES: University revenues 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).
- *Nonoperating revenues:* Nonoperating revenues include those derived from nonexchange transactions such as gifts and certain federal and state grants. Other nonoperating revenues include significant revenue sources that are relied upon for operations, such as state appropriations and investment income.

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

NEW ACCOUNTING PRONOUNCEMENTS: In 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The statement does not apply to pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The requirements of this statement are effective for periods beginning after December 15, 2007, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. Management has determined that the provisions of this statement have no material impact on current financial statements.

In 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2008. The university applied the reporting standards of this statement to periods prior to those presented in this financial report.

Note 2—Correction of Prior Period Error

Indiana University issued capital appreciation bonds (CABS) in 1991 through 1995. CABS are bonds sold at a deeply discounted price that is deemed to be par, but which do not remit interest to the holder until maturity, with maturity values in multiples of $5. The interest accretes at a stated coupon rate. They differ from Original Issue Discount (OID) bonds in that for OID's, the maturity amount is par. Totals over the life of these bonds are as follows:

Original principal (par)	$ 55,040
Interest	112,104
Total payments	**$167,144**

The bonds were issued in various series with 15 to 25 year terms. The payment schedules are based on stated interest rates with principal and accreted interest payable semi-annually starting at 15 to 20 years from issue date (varies with series). The first payments, both principal and interest, for CABS started in August 2005 and the last payment will be August 2017.

A portion of the CABS were issued as student fee replacement bonds. Debt service on student fee replacement bonds is funded by the State of Indiana under a fee replacement appropriation in which the General Assembly may choose to provide direct funding support for debt that is payable from student fees, through a biennial appropriation called "fee replacement appropriation" which, in effect, reimburses state universities for student fees used to pay debt service on specific buildings. Approximately 82% of the interest expense on CABS is eligible for fee replacement appropriations subject to subsequent General Assembly actions. (See Note 11 for additional information).

Prior to June 30, 2005, based on the scheduled payments at maturity dates, the university had not accrued interest expense for CABS. The first interest expense accrual was made at June 30, 2005, for the first scheduled CABS interest payment to be made August 1, 2005, in the amount of $11,513. Each year thereafter, interest expense has been accrued at June 30th according to the payment schedule, the same method used to accrue interest expense on regular maturity bonds. Subsequent analysis of the CABS accretion schedules resulted in the determination that the unpaid interest on the outstanding debt should instead be accrued over the life of the bonds based on the total accreted value matured at year end. There is no corresponding accrual of student fee replacement revenue.

As this error was made in prior fiscal years, opening balances at July 1, 2007, were restated to correct the prior period error with an adjustment to the June 30, 2008 Statement of Revenues, Expenses, and Changes in Net Assets as follows: Net assets, beginning of year were reduced by $53,697.

In addition, the following line items for the year ended June 30, 2008, were restated as follows:

Statement of Net Assets: Accounts payable and accrued liabilities and Total current liabilities were increased by $993. Other long-term liabilities and Total noncurrent liabilities were increased by $45,481. The effect on Total liabilities was an increase of $46,474 to recognize interest expense not previously recorded.

Statement of Revenues, Expenses and Changes in Net Assets: Interest expense was reduced by $7,223 and Net nonoperating revenues, Income before other revenues, expenses, gains, or losses, and Increase in net assets were increased by $7,223 to reflect the recognition of interest expense over the life of the bonds to the current period.

Note 10 Noncurrent Liabilities: Other liabilities and Total noncurrent liabilities were increased by $45,481.

Note 3—Deposits and Investments

DEPOSITS

The combined bank balances of the university's demand deposits were $11,885 and $17,699 at June 30, 2009 and 2008, respectively. The university had balances in excess of Federal Deposit Insurance Corporation limits in the amount of $10,833 and $16,659 at June 30, 2009 and 2008, respectively. These balances, deposited in approved financial institutions and in excess of the limits of coverage by federal deposit insurance were covered by the Public Deposit Insurance Fund, created to protect the public funds of the State of Indiana and its political subdivisions. 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.

INVESTMENTS

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

Endowments

Endowment funds have a very long investment horizon, and as appropriate, may be invested in asset classes with longer term risk/return characteristics, including, but not limited to stocks, bonds, real estate, private placements and alternative investments. The Indiana University Endowments (endowments) are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation dated November 14, 2005, which delegated investment management responsibilities to the IU Foundation, subject to the university's management agreement with the IU Foundation. The trustees may, at their discretion, direct all or a portion of the endowment funds to other investments, exclusive of the IU Foundation's investment funds. Endowment assets may be invested in pooled funds or in direct investments, or a combination of the two. Assets will typically be diversified among high quality stocks and bonds. Additional asset classes, such as absolute return, private equity, and real asset investments, may be included when it is reasonable to expect these investments will either increase return or reduce risk, or both. Participation in the pooled investments is achieved by owning units of the Pooled Long-Term Fund and considered an external investment pool to the university. At June 30, 2009, all endowments held with the IU Foundation were invested in pooled funds.

(dollar amounts presented in thousands)

At June 30, 2009 and 2008, the university had investments and deposits, including endowment funds, as shown below:

	Fair Value	
Investment Type	*June 30, 2009*	*June 30, 2008*
Money market funds	$ 679,016	$ 602,183
Corporate bonds	198,951	147,833
Government mortgage-backed securities	135,655	161,894
External investment pools	120,020	191,767
Government agencies	38,731	17,430
Nongovernment backed C.M.O.s	37,028	60,353
Asset-backed securities	36,152	49,611
Government bonds	35,219	48,339
Commercial mortgage-backed	31,530	46,021
Short-term bills and notes	20,921	17,284
Guaranteed fixed income	12,772	-
Municipal/provincial bonds	7,823	3,344
Index-linked government bonds	7,262	4,408
Real estate	3,165	3,165
Venture capital	2,852	2,885
Mutual funds	1,835	2,013
All other	(57,603)	(48,304)
Total	**$ 1,311,329**	**$ $1,310,226**

INVESTMENT CUSTODIAL RISK

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's investments are not exposed to custodial credit risk and reflect 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 an 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 IU Foundation's investment policy stipulates that the Pooled Short-Term Fund is invested in securities that typically mature within one year and the fixed income allocation includes securities with a duration benchmark index of +/- 1.5 years.

The university had investments with the following maturities at June 30, 2009:

Investment Type	*Fair Value*	*Investment Maturities (in years)*			
	June 30, 2009	*Less than 1*	*1-5*	*6-10*	*More than 10*
Investments with maturity date					
Corporate bonds	$ 198,951	$ 17,540	$ 73,872	$ 72,372	$ 35,167
Government mortgage-backed securities	135,655	46,262	7,155	2,678	79,560
Government agencies	38,731	4,252	31,042	3,396	41
Nongovernment backed C.M.O.s	37,028	455	107	1,610	34,856
Asset-backed securities	36,152	2,013	22,013	3,154	8,972
Government bonds	35,219	-	19,000	10,323	5,896
Commercial mortgage-backed	31,530	-	706	237	30,587
Short-term bills and notes	20,921	20,921	-	-	-
Guaranteed fixed income	12,772	-	12,772	-	-
Municipal/provincial bonds	7,823	1,012	841	366	5,604
Index-linked government bonds	7,262	788	-	2,005	4,469
Other fixed income	928	451	612	-	(135)
	562,972	93,694	168,120	96,141	205,017
Investments with undetermined maturity date					
Money market funds	679,016	679,016	-	-	-
External investment pools	120,020	120,020	-	-	-
Real estate	3,165	3,165	-	-	-
Venture capital	2,852	2,852	-	-	-
Mutual funds	1,835	1,835	-	-	-
All other	(58,531)	(58,531)	-	-	-
	748,357	748,357	-	-	-
Total	**$ 1,311,329**	**$ 842,051**	**$ 168,120**	**$ 96,141**	**$ 205,017**

(dollar amounts presented in thousands)

The university had investments with the following maturities at June 30, 2008:

Investment Type	*Fair Value*	*Investment Maturities (in years)*			
	June 30, 2008	*Less than 1*	*1-5*	*6-10*	*More than 10*
Investments with maturity date					
Government mortgage-backed securities	$ 161,894	$ 20	$ 5,290	$ 3,074	$ 153,510
Corporate bonds	147,833	25,877	56,351	39,040	26,565
Nongovernment backed C.M.O.s	60,353	-	-	871	59,482
Asset-backed securities	49,611	1,326	26,451	5,003	16,831
Government bonds	48,339	6,362	24,673	8,717	8,587
Commercial mortgage-backed	46,021	-	745	214	45,062
Government agencies	17,430	3,947	9,195	4,168	120
Short-term bills and notes	17,284	17,284	-	-	-
Index-linked government bonds	4,408	-	-	2,442	1,966
Municipal/provincial bonds	3,344	-	-	-	3,344
Other fixed income	(599)	(17)	(1,315)	1,376	(643)
	555,918	54,799	121,390	64,905	314,824
Investments with undetermined maturity date					
Money market funds	602,183	602,183	-	-	-
External investment pools	191,767	191,767	-	-	-
Real estate	3,165	3,165	-	-	-
Venture capital	2,885	2,885	-	-	-
Mutual funds	2,013	2,013	-	-	-
All other	(47,705)	(47,705)	-	-	-
	754,308	754,308	-	-	-
Total	**$ 1,310,226**	**$ 809,107**	**$ 121,390**	**$ 64,905**	**$ 314,824**

CREDIT RISK

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

Endowments

The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund commercial paper must be rated 'A1/P1' and that the average quality of the fixed income securities will be maintained at 'A' or better, except for high-yield. For high-yield securities, the weighted average credit quality of the portfolio should be 'B' or better at all times.

At June 30, 2009 and 2008, university investments had debt securities with associated credit ratings as shown below:

Credit Quality Rating	*Fair Value June 30, 2009*	*Percentage of Total Pool*	*Fair Value June 30, 2008*	*Percentage of Total Pool*
AAA	$ 511,543	39.01%	$ 350,716	26.77%
AA	27,312	2.08%	24,548	1.87%
A	68,298	5.21%	33,530	2.56%
BBB	97,050	7.40%	52,232	3.99%
BB	20,507	1.56%	13,804	1.05%
B	5,430	0.41%	7,825	0.60%
CCC	8,893	0.68%	2,852	0.22%
Not Rated	572,296	43.65%	824,719	62.94%
Total	**$ 1,311,329**	**100.00%**	**$ 1,310,226**	**100.00%**

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. U.S. Government and U.S. governmental agency securities are exempt from this policy requirement.

Endowments

The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund limit commercial paper, Certificates of Deposit, Bankers' Acceptances, and Repurchase Agreements to $10,000 per issuer and money market funds to $30,000 per fund. The Pooled Long-Term portfolio is diversified based on manager selection, investment style, and asset class to avoid any disproportionate risk related to any one industry or security.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's investments and deposits. The university's policy for controlling exposure to foreign currency risk is to constrain 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. As of June 30, 2009, and June 30, 2008, the university's investments were not exposed to foreign currency risk.

Note 4—Securities Lending

State statutes and policy of the Trustees of Indiana University permit the university to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The university's custodial bank manages the securities lending program and receives cash, U.S. government securities, or irrevocable letters of credit as collateral. Noncash collateral cannot be pledged or sold unless the borrower defaults. Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans," in which case the investment term matches the loan term. These loans can be terminated on demand by either lender or borrower. U.S. securities are lent versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Marking to market is performed each business day and the borrower is required to deliver additional collateral when necessary so that the total collateral held by the university will equal at least the fair value plus accrued interest of the borrowed securities.

(dollar amounts presented in thousands)

All security loans can be terminated on demand by either the university or the borrowers. Cash received as securities lending collateral was $63,600 and $77,920 at June 30, 2009 and 2008, respectively, and is recorded as an asset and corresponding liability on the university's Statement of Net Assets. The university had securities involved in loans with fair value of $62,113 and $76,085 at June 30, 2009 and 2008, respectively. Credit risk is calculated as the aggregate of the lender's exposure to individual borrowers or on individual loans. Although collateralized, the university would bear risk if the cash collateral is impaired. The university recorded an unrealized loss due to collateral impairment of $1,012 during fiscal year 2009.

Note 5—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2009 and 2008:

	June 30, 2009	*June 30, 2008*
Student accounts	$ 35,471	$ 34,391
Auxiliary enterprises and other operating activities	47,285	52,471
State appropriations	-	11,924
Federal, state and other grants and contracts	23,207	18,387
Capital appropriations and gifts	4,041	127
Other	7,668	5,725
Current accounts receivable, gross	**117,672**	**123,025**
Less allowance for uncollectible accounts	(9,725)	(8,995)
Current accounts receivable, net	**107,947**	**114,030**
Auxiliary enterprises and other operating activities	14,772	15,303
Noncurrent accounts receivable	**$ 14,772**	**$ 15,303**

Note 6—Notes and Pledges Receivable

Notes and pledges receivable consisted of the following at June 30, 2009 and 2008:

	June 30, 2009	*June 30, 2008*
Student loans receivable	$ 80,065	$ 77,563
Pledges receivable, net	-	8,929
Total notes and pledges receivable	**$ 80,065**	**$ 86,492**

During fiscal year 2003, the university entered into a lease purchase agreement with the IU Foundation to finance a portion of the cost of constructing and equipping of the Biotechnology Research and Training Center maintained and operated by the university on the IUPUI campus (also see Note 12). Private funds held by the IU Foundation, solely for the use of the university, were used for related construction costs of $15,177. The IU Foundation transferred rights to the facility to the university through an unconditional promise to give the university use of the facility over a 20 year period. This promise to give was reflected at net present value of $8,929 as a pledge receivable of the university at June 30, 2008. Effective June 1, 2009, the foundation conveyed this property to the Indiana University Building Corporation. At the same time, the university recognized the remaining pledge receivable as gift income.

Note 7—Endowment Funds

Endowment funds are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation, which delegates investment management responsibilities to the IU Foundation. The trustees may, at their discretion, direct all or a portion of the university's endowment funds to other investments, exclusive of the IU Foundation's investment funds. The spending policy is to distribute 5% of the 12 quarter rolling average of pooled fund values. Indiana Code 30-2-12, *Uniform Management of Institutional Funds,* sets forth the provisions governing the expenditure of endowment fund appreciation, under which the trustees may authorize expenditure, consistent with donor intent.

Funds held by endowments, managed by the IU Foundation, are used to acquire pooled shares. The value of the pooled shares is determined each month on the basis of the total market value of pooled investments and the number of pooled shares outstanding. Income from pooled funds is distributed pro rata to each participating fund according to the number of pooled shares it holds. Fair value of the Indiana University Consolidated Fund totaled $105,762 and $144,072 at June 30, 2009 and 2008, respectively. Additional pooled funds totaled $35,593 and $40,693 at fair value at June 30, 2009 and 2008, respectively. The university holds investments in the Indiana Future Fund I, LLC, a coalition of institutional investors investing in regional and national venture capital funds to encourage direct investment in Indiana life sciences initiatives, which is administered by Credit Suisse Securities (USA), LLC. The investment in the Indiana Future Fund I, LLC, totaled $2,852 and $2,885 at fair value at June 30, 2009 and 2008, respectively.

Additional endowment funds include the endowment fund for Riley Hospital for Children which is managed as an investment pool by the Riley Children's Foundation. The funds are invested in accordance with the Riley Children's Foundation investment policy. These funds are used to acquire pooled shares. The value of the pooled shares is determined each quarter on the basis of the total market value of the pooled investments and the number of pooled shares outstanding. Income is distributed pro rata to each participating fund according to the number of shares it holds. The funds totaled $5,341 and $6,217 at fair value at June 30, 2009 and 2008, respectively. The State of Indiana holds an endowment fund valued at $785 on behalf of the university. Income from this endowment is received and distributed on a yearly basis. Real estate held as endowments for investment purposes at June 30, 2009 and 2008, totaled $3,165, at fair value. Endowments of separately held stock had fair value of $35 and $44 at June 30, 2009 and 2008, respectively.

In addition, the university shares the income from a trust held by a major bank with Purdue University and the Indianapolis Center for Advanced Research. The fair value of the principal of this trust was $23,314 and $25,917 at June 30, 2009 and 2008, respectively. The trust principal is not included on the university's financial statements.

(dollar amounts presented in thousands)

Note 8—Capital Assets

Fiscal year ended June 30, 2009

	Balance June 30, 2008	*Additions*	*Transfers*	*Retirements*	*Balance June 30, 2009*
Assets not being depreciated:					
Land	$ 52,962	$ 95	$ –	$ –	$ 53,057
Art & museum objects	72,597	1,075	–	–	73,672
Construction in progress	226,497	163,048	(163,777)	928	224,840
Total capital assets not being depreciated	352,056	164,218	(163,777)	928	351,569
Other capital assets:					
Infrastructure	143,508	3,088	3,194	–	149,790
Land improvements	24,017	1,579	1,052	–	26,648
Equipment	342,261	34,969	12,024	22,342	366,912
Library books	197,458	25,108	–	14,945	207,621
Buildings	2,483,775	44,682	147,507	5,377	2,670,587
Total other capital assets	3,191,019	109,426	163,777	42,664	3,421,558
Less accumulated depreciation for:					
Infrastructure	114,362	3,982	–	–	118,344
Land improvements	6,552	1,388	–	–	7,940
Equipment	241,519	34,111	–	20,788	254,842
Library books	92,680	20,085	–	14,945	97,820
Buildings	1,039,758	61,253	–	3,953	1,097,058
Total accumulated depreciation, other capital assets	1,494,871	120,819	–	39,686	1,576,004
Capital assets, net	**$ 2,048,204**	**$ 152,825**	**$ –**	**$ 3,906**	**$ 2,197,123**

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Fiscal year ended June 30, 2008

	Balance June 30, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Assets not being depreciated:					
Land	$ 49,163	$ 3,799	$ –	$ –	$ 52,962
Art & museum objects	65,868	6,729	–	–	72,597
Construction in progress	216,748	143,956	(134,049)	158	226,497
Total capital assets not being depreciated	331,779	154,484	(134,049)	158	352,056
Other capital assets:					
Infrastructure	141,055	2,183	270	–	143,508
Land improvements	20,858	3,353	350	544	24,017
Equipment	374,616	22,829	2,699	57,883	342,261
Library books	188,836	23,411	–	14,789	197,458
Buildings	2,308,648	64,324	130,730	19,927	2,483,775
Total other capital assets	3,034,013	116,100	134,049	93,143	3,191,019
Less accumulated depreciation:					
Infrastructure	110,649	3,713	–	–	114,362
Land improvements	5,553	1,121	–	122	6,552
Equipment	230,291	35,124	–	23,896	241,519
Library books	88,284	19,185	–	14,789	92,680
Buildings	997,564	57,540	–	15,346	1,039,758
Total accumulated depreciation, other capital assets	1,432,341	116,683	–	54,153	1,494,871
Capital assets, net	**$ 1,933,451**	**$ 153,901**	**$ –**	**$ 39,148**	**$ 2,048,204**

(dollar amounts presented in thousands)

Note 9—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2009 and 2008:

	June 30, 2009	*June 30, 2008*
Accrued payroll	$ 20,612	$ 18,923
Accrual for compensated absences	34,155	36,308
Interest payable	24,284	20,651*
Vendor and other payables	126,312	135,150
Total accounts payable and accrued liabilities	**$ 205,363**	**$ 211,032**

* As restated, see Note 2

Note 10—Noncurrent Liabilities

Noncurrent liability activity for the fiscal years ended June 30, 2009 and 2008 is summarized as follows:

Fiscal year ended June 30, 2009

	Balance June 30, 2008	*Additions*	*Reductions*	*Balance June 30, 2009*	*Current*
Bonds payable	$ 776,590	$ 74,275	$ 51,441	$ 799,424	$ 50,243
Notes payable	4,546	8,510	670	12,386	929
Capital lease obligations	10,582	3,806	10,416	3,972	1,242
Total bonds, notes, and capital leases payable	791,718	86,591	62,527	815,782	52,414
Other liabilities					
Deferred revenue	186,798	1,561	8,632	179,727	139,630
Assets held in custody for others	67,027	1,459	–	68,486	528
Compensated absences	50,368	24,361	20,448	54,281	34,154
Other	49,820	4,900	10,592	44,128	–
Total other liabilities	354,013	32,281	39,672	346,622	174,312
Total noncurrent liabilities	**$ 1,145,731**	**$ 118,872**	**$ 102,199**	**$ 1,162,404**	**$ 226,726**

(Continued from previous page)
Fiscal year ended June 30, 2008

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Current
Bonds payable	$ 575,806	$ 286,840	$ 86,056	$ 776,590	$ 50,867
Notes payable	141,449	3,388	140,291	4,546	445
Capital lease obligations	11,512	830	1,760	10,582	1,518
Total bonds, notes, and capital leases payable	728,767	291,058	228,107	791,718	52,830
Other liabilities					
Deferred revenue	172,169	23,950	9,321	186,798	138,069
Assets held in custody for others	66,405	654	32	67,027	450
Compensated absences	48,679	22,493	20,804	50,368	36,308
Other	53,928	3,756	7,864	49,820	–
Total other liabilities	341,181	50,853	38,021	354,013	174,827
Total noncurrent liabilities	**$ 1,069,948**	**$ 341,911**	**$ 266,128**	**$ 1,145,731**	**$ 227,657**

Certain restatements have been made to the prior year for comparative purposes. See Note 2.

Note 11 — Bonds and Notes Payable

The university is authorized by acts of the Indiana General Assembly to issue bonds and notes for the purpose of financing construction of facilities that include academic and administrative facilities, athletic facilities, halls of music, health service facilities, research on the Bloomington and Indianapolis campuses, parking facilities, student housing, student union buildings, and energy savings projects. The outstanding bond and note indebtedness at June 30, 2009 and 2008 were $811,810 and $781,136, respectively. This indebtedness includes principal outstanding at June 30, 2009 and 2008 for bonds issued under Indiana Code 21-34-6 of $479,861 and $520,721, respectively, which had an additional accreted value of outstanding capital appreciation bonds associated with them of $48,293 and $56,094, respectively. The outstanding bond issues include both serial bonds, term bonds, and capital appreciation bonds with maturities extending to June 1, 2038.

On a biennial basis, the Indiana General Assembly authorizes a specific state appropriation to the university for the purpose of reimbursing a portion of the debt service payments on bonds issued under Indiana Code 21-34-6 for certain academic facilities. Such academic facilities can include classrooms, libraries, laboratories, utility infrastructure, and other academic facilities as designated by the Indiana General Assembly. These specific state appropriations are referred to as “fee replacement” appropriations, and are received from the State of Indiana on a semi-annual basis. This appropriation is renewed and expanded on a biennial basis because the Constitution of the State of Indiana prohibits a sitting General Assembly from binding subsequent General Assemblies as to the continuation of any appropriated funds. The State of Indiana has fully funded all fee replacement obligations established by prior General Assemblies since the State began authorizing fee replacement appropriations more than 35 years ago. The outstanding bond and note indebtedness principal balances which are eligible for fee replacement appropriations, as of June 30, 2009 and 2008, are $426,623 and $463,265, respectively. As of June 30, 2009, of the $1,203,337 of total debt service payments to maturity, $625,759 is for bonds that are eligible for fee replacement appropriation.

(dollar amounts presented in thousands)

In addition to serial and term bonds, the university has issued capital appreciation bonds (CABS). A CAB is a long-term municipal security, on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment representing both the initial principal amount and the total investment return. A CAB pays no current interest, but accretes in value from the date of issuance to the date of maturity. At maturity, the original par amount plus all the accreted interest is payable. As of June 30, 2009, total debt service payments to maturity includes $91,670 of CABS payments, of which $65,370 is eligible for fee replacement appropriation.

Indiana Code 21-32-2 permits the use of debt in the form of temporary borrowing in anticipation of future long-term borrowing for capital projects, when such long-term borrowing is authorized under other sections of the Indiana Code. The university has used tax-exempt commercial paper (TECP) programs to provide interim financing for certain capital projects and may continue to do so in the future. No TECP is outstanding as of June 30, 2009. However, a standby liquidity support agreement with JPMorgan Chase Bank, National Association, which allows for a principal amount of up to $40,000 is in place, which could be used in conjunction with future series of commercial paper notes. The liquidity support agreement has a stated expiration date of June 19, 2010, and is renewable, subject to the agreement of both parties.

As of June 30, 2009 and 2008, outstanding indebtedness from bonds and notes consisted of the following:

Bonding Authority	*Interest Rates*	*Final Maturity Year Ended*	*Principal Outstanding At June 30, 2009*	*Principal Outstanding At June 30, 2008*
Indiana Code 21-34-6 (Student Fee Debt)	3.25 to 7.25%	2033	$479,861	$520,721
Indiana Code 21-35-2 (Student Union Debt)	N/A	2009	–	415
Indiana Code 21-35-3 (Auxiliary Revenue Debt)	2.88 to 5.80%	2038	293,390	231,735
IndianaCode 21-34-10-7 (Energy Savings Debt)	3.64 to 4.49%	2018	4,101	4,546
Indiana Code 21-33-3-5 (Certificates of Participation)	3.40 to 5.25%	2023	8,285	–
Subtotal bonds and notes payable			785,637	757,417
Add unamortized bond premium			30,992	29,047
Less deferred charges			(4,819)	(5,328)
Total bonds and notes payable			**$ 811,810**	**$ 781,136**

As of June 30, 2009, the university does not have any variable rate bonds or notes outstanding. Principal and interest requirements to maturity for bonds and notes are as follows:

Fiscal Year Ended June 30	*Bond Principal*	*Note Principal*	*Total Principal*	*Bond Interest*	*Note Interest*	*Total Interest*	*Total Debt Service Payments*
2010	$ 48,555	$ 929	$ 49,484	$ 51,410	$ 550	$ 51,960	$ 101,444
2011	51,463	969	52,432	49,337	514	49,851	102,283
2012	39,233	1,009	40,242	40,603	474	41,077	81,319
2013	39,345	1,050	40,395	34,299	434	34,733	75,128
2014	41,365	1,093	42,458	32,552	390	32,942	75,400
2015-2019	228,845	4,671	233,516	120,166	1,271	121,437	354,953
2020-2024	172,970	2,665	175,635	57,001	287	57,288	232,923
2025-2029	117,740	–	117,740	22,191	–	22,191	139,931
2030-2034	25,140	–	25,140	5,120	–	5,120	30,260
2035-2038	8,595	–	8,595	1,101	–	1,101	9,696
Total	**$ 773,251**	**$ 12,386**	**$ 785,637**	**$ 413,780**	**$ 3,920**	**$ 417,700**	**$ 1,203,337**

In prior years, the university has defeased several bond issues either with cash or by issuing new debt. United States Treasury obligations or federal agency securities have been purchased in amounts sufficient to pay principal and interest payments when due, through maturity, and have been deposited in irrevocable trusts with trustees. Neither the defeased bonds nor the related trusts are reflected on the university's books. At June 30, 2009, Building Facilities Fee Bonds, Series M, defeased by the university on October 1, 1985, have principal outstanding of $3,655, with a final maturity of July 1, 2010. As of June 30, 2009, Student Fee Bonds, Series M, which were partially defeased on December 14, 2004, have principal outstanding of $10,420, with a final maturity of August 1, 2009. On June 20, 2006, the university partially defeased Student Fee Bonds, Series M and Series N, which as of June 30, 2009, have principal outstanding of $24,870, with a final maturity of August 1, 2011.

On April 2, 2009, the university issued Consolidated Revenue Bonds, Series 2009A with a par amount of $69,785. The purpose of the issue was to provide financing for the construction of the Ashton Housing Complex on the Bloomington campus, and reimburse financing for the University Place Food Court Renovation on the IUPUI campus and the Parking Lot Expansion on the Southeast campus. The true interest cost for the bonds is 4.53%.

On June 1, 2009, pursuant to mutual agreements between the university, the IU Foundation, and the Indiana University Building Corporation, and with the consent of the trustee bank, the Biotechnology Research and Training Center property and related capital lease-purchase agreement obligations were assigned and transferred by the Indiana University Foundation to the Indiana University Building Corporation. The Indiana University Building Corporation is an affiliated single purpose Indiana not-for-profit corporation that was formed by the Trustees of Indiana University. The sole purpose of this entity is to own and lease facilities back to the university in order to facilitate the financing of such facilities through the issuance of certificates of participation. The principal amount of the Certificates of Participation that was outstanding on the date of transfer was $8,510. These obligations are listed in the outstanding indebtedness table above under Indiana Code 21-33-3-5 and are classified as notes payable.

(dollar amounts presented in thousands)

Note 12—Lease Obligations

The university leases certain facilities. The majority of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs. Some leases are in substance lease-purchases and, as such, are recorded as capital lease obligations. During fiscal year 2003, the IU Foundation and the university entered into a lease purchase agreement, which was securitized and sold as Certificates of Participation, Series 2003A, in April of 2003 in the amount of $10,830. The proceeds of the Series 2003A certificates were used to finance a portion of the cost of construction and equipping of the Biotechnology Research and Training Center on the IUPUI campus. Effective June 1, 2009, the IU Foundation's net investment in this direct financing lease was assigned to the Indiana University Building Corporation (IUBC). IUBC is presented as a blended component unit of the university, and as such, the capital lease transactions are eliminated to avoid double counting.

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

	Capital	*Operating*
2010	$ 1,439	$ 11,990
2011	1,102	10,116
2012	905	7,697
2013	741	5,719
2014	231	5,469
2015-2019		19,617
2020-2024		9,659
2025-2029		1,154
Total future minimum payments	4,418	$ 71,421
Less: interest	(446)	
Present value of future principal outstanding	**$ 3,972**	

Note 13—Federal Obligations Under Student Loan Programs

Campus based student loans are funded by new allocations received from the federal government as well as principal and interest collected from previous student loan recipients. The federal government advanced $1,564 and $707 for health professions and nursing loan programs for fiscal years ended June 30, 2009 and 2008, respectively.

Liabilities at June 30, 2009 and 2008 for loan programs were as follows:

	June 30, 2009	*June 30, 2008*
Current portion of assets held in custody for others	$ 527	$ 450
Noncurrent liabilities:		
Federal share of interest	32,239	31,226
Perkins loans	20,202	20,630
Health professions loans	14,932	14,047
Nursing loans	585	674
Total noncurrent portion of assets held in custody for others	67,958	66,577
Total assets held in custody for others	**$ 68,485**	**$ 67,027**

Note 14—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 employees and their dependents. The university manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The university is self-funded for damage to buildings and building contents for the first $100 per occurrence with an additional

$900 per occurrence covered by OCIC. The university is self-funded for comprehensive general liability and automobile liability for the first $100 per occurrence with an additional $900 per occurrence covered by OCIC and has supplementary commercial liability umbrella policies. The university has a malpractice and professional liability policy in the amount of $250 for each claim and $750 annually in aggregate provided by OCIC. The university is self-funded for the first $750 of any worker's compensation claim. Excess commercial coverage for up to $1,000 is in place for employer liability claims. Worker's compensation claims above $750 are subject to statutory limits.

The university has three health care plans for full-time appointed employees, one of which is also available to retirees not 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 20% of the paid self-funded claims during the fiscal year, and totals $30,020 and $27,228 at June 30, 2009 and 2008, respectively. In addition, a potential claims fluctuation liability of $9,876 has been recorded at June 30, 2009 and 2008.

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

Note 15—Retirement Plans

The university provided retirement plan coverage to 18,649 and 18,187 active employees, as of June 30, 2009 and 2008, respectively, in addition to contributing to the Federal Insurance Contributions Act (FICA) as required by law.

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. PERF administers the multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. All support, technical, and service employees with at least a 50% full-time equivalent (FTE) appointment participate in the PERF plan. There were 7,027 and 6,950 active university employees covered by this retirement plan as of June 30, 2009 and 2008, respectively. State statutes authorize the university to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. The annuity savings account consists of contributions set by state statute at three percent of compensation, plus the earnings credited to members' accounts. The university has elected to make the contributions on behalf of the members. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Public Employees' Retirement Fund, Harrison Building, Suite 700, 143 West Market Street, Indianapolis, IN 46204, by calling 317-233-4162 or 1-888-526-1687, or reviewing the Annual Report online at www.in.gov/perf.

Contributions made by the university totaled $20,346 and $19,607, for fiscal years ended June 30, 2009 and 2008, respectively. This represented a 6.3% university pension benefit contribution for fiscal years ended June 30, 2009 and 2008, and a 3% university contribution for the annuity savings account provisions each year.

PERF Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The university's annual pension cost and related information, as provided by the actuary, is presented below.

The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. The amortization method and period are level dollar closed over 30 years. The actuarial funding method is entry age normal cost. The employer required contribution is determined using an asset smoothing method. The actuarial valuation date is July 1, 2007.

Actuarial assumptions include: 1) an investment rate of return of 7.25%, 2) a projected salary increase of 4%, and 3) a 1.5% cost of living increase granted in each future year, applying to current and future retirees.

(dollar amounts presented in thousands)

The following schedules show the funding progress, net pension obligation, and trend information for PERF:

	Fiscal Year[1] Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Annual required contribution	$ 11,962	$ 12,287
Interest on net pension obligation	(231)	(342)
Adjustment to annual required contribution	264	390
Annual pension cost	11,995	12,335
Contributions made	(12,794)	(10,809)
Increase/(decrease) in net pension obligation	(799)	1,526
Net pension obligation, beginning of year	(3,197)	(4,723)
Net pension obligation, end of year	**$ (3,996)**	**$ (3,197)**

[1]*Actuarial data for 2009 not available at the time of this report.*

Fiscal Year Ended	*Annual Pension Cost (APC)*[2]	*Percentage of APC Net Pension Contributed*	*Net Pension Obligation*
June 30, 2006	$ 10,350	91%	$ (4,723)
June 30, 2007	12,335	88%	(3,197)
June 30, 2008	11,994	107%	(3,996)

[2]*Does not reflect costs attributable to the university's 3% defined contribution benefit. See Indiana Public Employees' Retirement Fund above.*

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) with four contribution levels. The university contributed $70,676 during fiscal year ended June 30, 2009, and $68,657 during fiscal year ended June 30, 2008, to TIAA-CREF for the IU Retirement Plan. The university contributed $20,188 during fiscal year ended June 30, 2009, and $17,675, during fiscal year ended June 30, 2008, to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,693 and 8,527 employees directed university contributions to TIAA-CREF as of June 30, 2009 and 2008, respectively. In addition, 3,492 and 3,195 employees directed university contributions to Fidelity Investments as of June 30, 2009 and 2008, respectively.

In addition to the above, the university provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above. There were 1,242 and 1,300 active employees on June 30, 2009 and 2008, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP); a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The university contributed $2,698 and $1,299 to IUSERP during fiscal years ended June 30, 2009 and 2008, respectively. The same class of employees hired prior to January 1, 1989, are covered by the 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The 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. During the fiscal year ended June 30, 2009, the university made total payments of $34,183 to 399 individuals receiving 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2008, the university made total payments of $33,997 to 416 individuals receiving 18/20 Retirement Plan payments.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017-3206.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost

The university has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the trustees. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2009 and 2008, 97 and 100 employees, respectively, were eligible to participate. University contributions related to this plan totaled $997, and $937, for fiscal years ended June 30, 2009 and 2008, respectively, with no employee contributions.

The following schedule shows the funding policy contributions for the fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation report prepared as of July 1, 2008, for the fiscal year ended June 30, 2009, prepared as of July 1, 2007, for the fiscal year ended June 30, 2008, and prepared as of July 1, 2006, for the fiscal year ended June 30, 2007.

	Fiscal Year Ended June 30, 2009	*Fiscal Year Ended June 30, 2008*	*Fiscal Year Ended June 30, 2007*
Cost of benefits earned during the year	$ 696	$ 698	$ 985
Amortization of unfunded actuarial accrued liabilities	473	170	727
Interest	94	69	120
Funding policy contribution	**$ 1,263**	**$ 937**	**$ 1,832**

The funded status of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2009, 2008, and 2007 are as follows:

Actuarial Valuation Date	*July 1, 2008*	*July 1, 2007*	*July 1, 2006*
Actuarial accrued liability (AAL)	$ 16,750	$ 13,322	$ 11,685
Actuarial valuation of plan assets	11,159	11,293	8,314
Unfunded actuarial liability	5,591	2,029	3,371
Actuarial value of assets as a percentage of (AAL) (funded ratio)	66.6%	84.8%	71.1%
Annual covered payroll	$ 8,612	$ 8,933	$ 8,673
Ratio of unfunded actuarial liability to annual covered payroll	64.9%	22.7%	38.9%

Actuarial assumptions include an 8% asset rate of return and future salary increases of 3% compounded annually for the fiscal year ended June 30, 2009 and an 8% asset rate of return and future salary increases of 3% compounded annually for the fiscal year ended June 30, 2008. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

Additional multiyear trend information regarding the funding progress of the IU Replacement Retirement Plan is provided immediately following the notes to the financial statements.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017-3206.

Note 16—Postemployment Benefits

Plan Description

In addition to providing pension benefits, the university provides certain postemployment benefits for retired employees. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the Plan) under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Plan is a single-employer defined benefit plan administered by Indiana University. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 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, divided by five. The 18/20 Plan was adopted by the Trustees of Indiana University. Indiana University provides medical care coverage to individuals with Indiana University retiree status and their dependents. The cost of the coverage is borne fully by the individual. However, the retirees participate in the same healthcare plan as current university employees, increasing the university's cost of providing coverage to current employees. The university provides retiree life insurance benefits in the amount of $6 to terminated employees with IU 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 of Indiana University. 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 $919 and $512 in premiums in the fiscal years ended June 30, 2008 and 2007, respectively. The university contributed $47,263 and $43,882 to the consolidated OPEB Plan in fiscal years ended June 30, 2008 and 2007, respectively.

Annual OPEB Cost and Net OPEB Obligation

The university's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of twenty-five years.

The following table shows the university's annual OPEB cost for the year, the amount actually contributed to the plan, and the university's net OPEB obligation as provided by the actuarial results for the fiscal year ended June 30, 2008:

	Fiscal Year Ended June 30, 2008	*Fiscal Year Ended June 30, 2007*
Annual required contribution (ARC)/Annual OPEB cost	$ 52,164	$ 47,637
Less Employer contribution	47,262	43,882
Increase in OPEB obligation	4,902	3,755
Net OPEB obligation, beginning of year	3,755	-
Net OPEB obligation, end of year	$ 8,657	$ 3,755
Percentage of annual OPEB cost contributed	**90.60%**	**92.12%**

Funded Status amd Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $488,523 at June 30, 2008, and $475,118 at June 30, 2007, and the actuarial value of assets was zero each year, resulting in an unfunded actuarial accrued liability (UAAL) of $488,523 at June 30, 2008, and $475,118 at June 30, 2007. The covered payroll (annual payroll of active employees covered by the plan) was $868,809 for fiscal year 2008 and $858,452 for fiscal year 2007, and the ratio of the UAAL to the covered payroll was 56.2 percent for fiscal year 2008 and 55.3 percent for fiscal year 2007.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of Indiana University are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, represents two years of information and in subsequent years will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by Indiana University and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between Indiana University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the June 30, 2007, actuarial valuation. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on Indiana University's investments calculated based on the funded level of the plan at June 30, 2008, and an annual healthcare cost trend rate that ranges from 9.5 percent in 2010 to 4.5 percent in 2020. The rate includes a 3 percent inflation assumption. The UAAL is being amortized over 25 years using level dollar amounts on an open group basis.

A schedule of funding progress for the current year is presented as required supplementary information immediately following the notes to the financial statements.

Note 17—Related Organizations

In 1922 the Riley Children's Foundation presented the James Whitcomb Riley Hospital for Children to Indiana University. On May 2, 1996, the James Whitcomb Riley Hospital for Children separated from Indiana University and is now part of Clarian Health Partners, Inc. The university has been a major beneficiary of this foundation. Riley Children's Foundation net assets were $209,453 and $243,878 at June 30, 2009 and 2008, respectively. Riley Children's Foundation net assets are not included in the financial statements of the university.

(dollar amounts presented in thousands)

Note 18—Functional Expenses

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

Fiscal year ended June 30, 2009

	Natural Classification						
Functional Classification	*Compensation & Benefits*	*Utilities*	*Supplies & Expenses*	*Scholarships & Fellowships*	*Depreciation*	*Travel*	*Total*
Instruction	$ 756,771	$ 200	$ 94,695	$ 15,751	$ –	$ 15,679	$ 883,096
Research	144,339	14	70,344	4,333	–	5,278	224,308
Public service	83,053	384	60,744	5,083	–	4,557	153,821
Academic support	177,410	25	39,155	2,276	–	4,544	223,410
Student services	69,151	14	19,598	1,655	–	1,519	91,937
Institutional support	131,613	446	10,737	989	–	2,181	145,966
Physical plant	68,152	61,249	58,360	2	–	248	188,011
Scholarships & fellowships	8,922	–	567	88,931	–	99	98,519
Auxiliary enterprises	193,515	3,115	95,235	6,810	–	6,292	304,967
Depreciation	–	–	–	–	120,819	–	120,819
Total operating expenses	**$ 1,632,926**	**$ 65,447**	**$ 449,435**	**$ 125,830**	**$ 120,819**	**$ 40,397**	**$ 2,434,854**

Fiscal year ended June 30, 2008

	Natural Classification						
Functional Classification	*Compensation & Benefits*	*Utilities*	*Supplies & Expenses*	*Scholarships & Fellowships*	*Depreciation*	*Travel*	*Total*
Instruction	$ 703,778	$ 115	$ 90,103	$ 14,199	$ –	$ 13,895	$ 822,090
Research	141,000	69	71,613	3,964	–	5,321	221,967
Public service	82,693	411	48,877	5,028	–	4,377	141,386
Academic support	150,948	24	28,122	802	–	4,359	184,255
Student services	55,075	12	7,624	784	–	1,219	64,714
Institutional support	165,256	571	50,908	713	–	3,032	220,480
Physical plant	51,005	53,375	44,629	–	–	152	149,161
Scholarships & fellowships	8,337	–	746	77,858	–	76	87,017
Auxiliary enterprises	177,243	3,196	85,899	6,218	–	7,050	279,606
Depreciation	–	–	–	–	116,683	–	116,683
Total operating expenses	**$ 1,535,335**	**$ 57,773**	**$ 428,521**	**$ 109,566**	**$ 116,683**	**$ 39,481**	**$ 2,287,359**

Note 19—Segment Information

The university issued revenue bonds to finance certain auxiliary enterprise activities. The university repays these bonds with the net income of certain parking and housing facilities.

Revenue bonds have been issued to finance certain auxiliary parking enterprise activities on the Bloomington, IUPUI, Kokomo, and South Bend campuses. These auxiliary entities provide parking services to students, staff, faculty, and the general public.

Revenue bonds have been issued to finance certain auxiliary housing activities on the Bloomington and IUPUI campuses. These auxiliary entities provide housing primarily to students.

Condensed financial statements for Parking and Housing Operations are as follows:

Condensed Statement of Net Assets

	Parking Operations		*Housing Operations*	
	June 30, 2009	*June 30, 2008*	*June 30, 2009*	*June 30, 2008*
Assets				
Current assets	$ 20,671	$ 21,479	$ 50,255	$ 44,857
Capital assets, net	69,201	70,902	127,236	124,657
Total assets	**89,872**	**92,381**	**177,491**	**169,514**
Liabilities				
Current liabilities	4,617	5,134	6,019	6,053
Long-term liabilities	43,163	46,448	49,698	51,818
Due to other funds	–	–	451	802
Total liabilities	**47,780**	**51,582**	**56,168**	**58,673**
Net assets				
Invested in capital assets, net of related debt	22,753	23,499	75,794	71,185
Unrestricted	19,339	17,300	45,529	39,656
Total net assets	**$ 42,092**	**$ 40,799**	**$ 121,323**	**$ 110,841**

(dollar amounts presented in thousands)

(Continued from previous page)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Parking Operations		*Housing Operations*	
	Fiscal Year Ended June 30, 2009	*Fiscal YearEnded June 30, 2008*	*Fiscal Year Ended June 30, 2009*	*Fiscal Year Ended June 30, 2008*
Operating revenues	$ 18,468	$ 17,427	$ 58,289	$ 55,131
Depreciation expense	(3,083)	(2,942)	(5,119)	(4,964)
Other operating expenses	(11,645)	(7,389)	(39,526)	(36,439)
Net operating income	3,740	7,096	13,644	13,728
Nonoperating revenues (expenses)				
Investment income	1	22	–	32
Interest expense	(2,405)	(2,018)	(2,558)	(2,356)
Increase in net assets	**1,336**	**5,100**	**11,086**	**11,404**
Net Assets				
Net assets, beginning of year	40,799	37,309	110,841	100,407
Net transfers	(43)	(1,610)	(604)	(970)
Net assets, end of year	**$ 42,092**	**$ 40,799**	**$ 121,323**	**$ 110,841**

Condensed Statement of Cash Flows

	Parking Operations		*Housing Operations*	
	Fiscal Year Ended June 30, 2009	*Fiscal Year Ended June 30, 2008*	*Fiscal Year Ended June 30, 2009*	*Fiscal Year Ended June 30, 2008*
Net cash provided (used) by:				
Operating activities	$ 6,474	$ $ 2,829	$ 17,562	$ 20,217
Capital and related financing activities	(7,375)	(6,006)	(11,806)	(15,529)
Investing activities	1	22	–	32
Net increase (decrease) in cash	(900)	(3,155)	5,756	4,720
Beginning cash and cash equivalent balances	20,261	23,416	43,483	38,763
Ending cash and cash equivalent balances	**$ 19,361**	**$ 20,261**	**$ 49,239**	**$ 43,483**

Total revenue-backed debt for capital financing of housing and parking auxiliary activities is outstanding in the amount of $45,925 at June 30, 2009, with remaining terms of 1 to 20 years. Revenues of the activities are sufficient to meet the principal and interest requirements for the debt.

Certain reclassifications have been made to the prior year for comparative purposes and do not constitute a restatement of prior periods.

Note 20—Commitments and Loss Contingencies

Construction Projects

The university had outstanding commitments for capital construction projects of $129,702 and $156,046 at June 30, 2009 and 2008, respectively.

Required Supplementary Information

Schedule of Funding Progress for IU Replacement Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2008	$ 11,159	$ 16,750	$ 5,591	66.6%	$ 8,612	64.9%
7/1/2007	11,293	13,322	2,029	84.8%	8,933	22.7%
7/1/2006	8,314	11,685	3,371	71.1%	8,673	38.9%

Schedule of Funding Progress for Other Postemployment Benefit Plans:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Projected Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2008*	--	$ 488,523	$ 488,523	0.0%	$ 868,809	56.2%
7/1/2007	--	475,118	475,118	0.0%	858,452	55.3%

*The standard requires three years of information for this schedule. An additional year of information will be added next year and then it will be the current and two preceding years going forward.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2009 and 2008

Note 1 - Organization and Operations

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

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

Note 4 - Investments

Investments are stated at fair value and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The hedge funds, limited partnerships and real asset funds, for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring varying degrees of judgment and may be subject to volatility in market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statements of financial position. Management of the Foundation believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis. Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the Foundation uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the Foundation may make adjustments for risks and uncertainties if a market participant would include such an adjustment in its pricing. Investment income, including net gains (losses), is recorded in the net asset class pursuant to the donor's original intentions. If unspecified by the donor, trust and endowment gains and losses are recorded with the original gift corpus. A summary of investments by security type as of June 30, 2009 and 2008 follows:

	2009					
	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Common, preferred and international stocks	$ 15,628,144	$ 65,238,150	$ 2,774,250	$ 126,590,909	$ 8,227,164	$ 295,347,199
Fixed income	3,172,549	15,383,849	974,590	28,090,563	1,749,088	64,942,405
Cash equivalents	4,567,041	2,502,274	209,952	5,201,408	355,062	12,386,190
Alternative investments	15,851,670	66,167,625	1,875,434	123,619,217	7,956,056	289,175,647
Real estate	162,610	470,054	1,813,323	3,728,963	56,520	6,417,801
Mortgage securities	-0-	-0-	-0-	10,029	-0-	726,020
Total investments	$ 39,382,014	$ 149,761,952	$ 7,647,549	$ 287,241,089	$ 18,343,890	$ 668,995,262

Excerpts from Indiana University Foundation Notes to the Financial Statements:

	2008					
	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Common, preferred and international stocks	$ 26,474,061	$ 105,899,205	$ 4,309,340	$ 209,752,232	$ 13,753,990	$ 447,443,445
Fixed income	5,582,324	22,322,528	1,501,077	45,762,521	3,000,508	98,030,950
Cash equivalents	3,112,198	2,512,930	335,510	3,103,792	368,624	11,812,234
Alternative investments	16,762,594	67,189,134	2,066,054	128,930,018	8,426,472	274,760,897
Real estate	131,855	328,911	1,810,316	3,164,014	41,250	5,069,035
Mortgage securities	-0-	-0-	-0-	10,500	-0-	740,069
Total investments	$ 52,063,032	$ 198,252,708	$ 10,022,297	$ 390,723,077	$ 25,590,844	$ 837,856,630

Included in the underlying US Government and agency debt instruments are futures, forwards, and option contracts that are considered derivative financial instruments. The carrying values of these derivative financial instruments are adjusted to net fair market value as determined by the Foundation's investment manager. Significant open positions as of June 30, 2009 and 2008 are summarized as follows:

	2009		2008	
	Notional Par	Net Fair Market Asset (Liability) Value	Notional Par	Net Fair Market Asset (Liability) Value
Futures:				
US Treasury Notes and Bonds	$ -0-	-0-	$ (102,500,000)	$ (230,741)
Eurodollars	102,000,000	480,500	246,000,000	144,250
90 Day Libor	2,500,000	590,743	2,500,000	(159,599)
Euribor	-0-	-0-	(13,000,000)	(1,044,439)
Euro-Schatz	-0-	-0-	(4,700,000)	(149,990)
10 yr Euro	-0-	-0-	(100,000)	(654)
EURO-BOBL	3,000,000	(49,015)	-0-	-0-
Forwards:				
US Government Agencies	$ 3,500,000	(24,336)	$ 28,000,000	$ 13,015

The gross and net credit risk associated with the related counterparties on these open futures and forwards positions is insignificant. The market risk for these futures and forwards is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest. The futures instruments required $2,826,735 and $2,269,390 in cash, and $-0- and $3,801,429 of US Treasury Bills as collateral in a margin maintenance account as of June 30, 2009 and 2008, respectively. The related net gains generated were $1,130,791 and $1,143,814 for the years ended June 30, 2009 and 2008, respectively. Investment income including net gains (losses), net of outside investment management fees, for the years ended June 30, 2009 and 2008 consists of the following:

2009	Unrestricted	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted University
Dividend, interest and other investment income	$ 1,440,231	$ (15,286)	$ 9,029,535	$ -0-	$ -0-
Net realized and unrealized gains (losses) on investments	(9,287,936)	(1,979,084)	(41,443,272)	(7,361,340)	(243,207,897)
Outside investment management fees	(199,986)	(42)	(3,163,159)	-0-	-0-
Total investment income, including net gains (losses), net of outside investment management fees	$ (8,047,691)	$ (1,994,412)	$ (35,576,896)	$ (7,361,340)	$ (243,207,897)

2008	Unrestricted	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted University
Dividend, interest and other investment income	$ 1,676,950	$ 215,632	$ 11,338,434	$ -0-	$ -0-
Net realized and unrealized gains (losses) on investments	(1,973,316)	(300,953)	15,590,947	(3,816,686)	(96,832,173)
Outside investment management fees	(303,110)	-0-	(4,194,927)	-0-	-0-
Total investment income, including net gains (losses), net of outside investment management fees	$ (599,476)	$ (85,321)	$ 22,734,454	$ (3,186,686)	$ (96,832,173)

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS No. 157. See Note 2 for a discussion of the Foundation's policies. The following table presents information about the Foundation's assets and liabilities measured at fair value as of June 30, 2009 follows:

	Level 1	Level 2	Level 3	Total
Common, preferred and international stocks	$ 480,852,733	$ 32,396,212	$ 556,871	$ 513,805,816
Fixed income	101,813,983	12,150,178	348,883	114,313,044
Cash equivalents	5,593,037	8,199,938	11,428,952	25,221,927
Alternative investments	4,745,440	78,140,221	421,759,988	504,645,649
Real estate	-0-	-0-	12,649,271	12,649,271
Mortgage securities	-0-	-0-	736,049	736,049
Total	$ 593,005,193	$ 130,886,549	$ 447,480,014	$ 1,171,371,756

The following table presents additional information about level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Foundation has classified within the level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs. Changes in level 3 assets measured at fair value as of and for the year ended June 30, 2009 follow:

Beginning balance	$ 451,532,430
Realized and unrealized gains (losses)	(94,819,895)
Purchases, sales and settlements	91,027,625
Net transfers in and/or out of level 3	(260,145)
Ending balance	$ 447,480,015

Note 8 – Restricted Net Assets

The income generated from restricted net assets is used in accordance with the donors' time or purpose restrictions. Foundation and University permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2009 and 2008 are as follows:

	2009			
	Temporarily Restricted		**Permanently Restricted**	
	Foundation	**University**	**Foundation**	**University**
Foundation operations	$ 6,575,940	$ -0-	$ 18,378,986	$ -0-
University Programs:	-0-		-0-	
Awards	-0-	5,626,346	-0-	6,324,928
Capital and capital improvements	-0-	60,715,486	-0-	1,841,655
Fellowships/lectureships	-0-	16,915,308	-0-	61,965,866
General endowments	-0-	198,965,747	-0-	153,182,837
Medical practice plans	-0-	26,644,775	-0-	-0-
Professorships/chairs	-0-	52,904,793	-0-	2,708,477
Research	-0-	80,013,268	-0-	199,357,174
Scholarships	-0-	20,043,267	-0-	20,335,482
Operations	-0-	85,933,933	-0-	278,280,927
Total	$ 6,575,940	$ 547,762,923	$ 18,378,986	$ 723,997,347

	2008			
	Temporarily Restricted		Permanently Restricted	
	Foundation	University	Foundation	University
Foundation operations	$ 8,367,480	$ -0-	$ 25,877,278	$ -0-
University Programs:				
Awards	-0-	6,736,294	-0-	8,755,053
Capital and capital improvements	-0-	34,632,544	-0-	2,519,497
Fellowships/lectureships	-0-	17,707,402	-0-	80,276,214
General endowments	-0-	245,257,509	-0-	211,309,745
Medical practice plans	-0-	34,101,518	-0-	-0-
Professorships/chairs	-0-	59,885,171	-0-	3,202,903
Research	-0-	85,739,029	-0-	263,341,247
Scholarships	-0-	28,887,752	-0-	26,289,092
Operations	-0-	94,391,207	-0-	351,178,348
Total	$ 8,367,480	$ 607,338,426	$ 25,877,278	$ 946,872,101

Note 10 - Contingencies and Commitments

The Foundation has borrowed $63,370,395 and $48,716,110 of temporarily restricted University cash and cash equivalents as of June 30, 2009 and 2008, respectively, and has reported this interfund borrowing as "due to (from)" on the Statement of Financial Position. The Foundation assumes all risk associated with the composition of assets related to the Foundation's reinvestment of the temporarily restricted University monies. These borrowings were used to (1) acquire property, plant and equipment for the benefit of the University, (2) purchase investment securities, and (3) support on-going Foundation operations. Repayment of the borrowings is primarily dependent on the Foundation's ability to (1) generate future appreciation and income from investment securities, (2) receive future revenue from existing property leases arrangements with the University and (3) receive future unrestricted gifts. Management has currently developed initiatives to reduce such borrowings in the future and maintain an appropriate composition of assets to comply with all donor restrictions.

Interfund financing of $5,400,000 and $5,900,000 as of June 30, 2009 and 2008, respectively, represents amounts financed by the Foundation unrestricted net assets to the agency and temporarily restricted University net assets. The carrying value of interfund financing approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Interest rates are from 5.1% to 6.0% as of June 30, 2009 and from 3.8% to 6.0% as of June 30, 2008.

The Foundation's alternative investments include investments in: (1) private equity such as venture capital and leveraged buyout funds; and (2) absolute return and inflation hedge strategies, including opportunistic real estate and natural resources. The Foundation's asset allocation policy allocates up to 50% in these types of investments. As of June 30, 2009 and 2008, the Foundation has entered into agreements with unfunded commitments of $259.0 million and $225.2 million, respectively. These commitments are expected to be fulfilled over the next three to five years.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2009 and 2008

Note 11 - Program Expenditures

Program expenditures include support for Foundation and University programs. Foundation programs include: real estate, air transportation services, Student Foundation, cultural center, women's programs and other miscellaneous programs. These University related program expenditures primarily support "Grants and aid to the University" and "Endowment and capital additions." For the years ended June 30, 2009 and 2008, a summary of these expenditures follows:

	2009		
		Unrestricted	
Program expenditures:	**Foundation**	**University***	**Total**
Foundation programs:			
Real estate	$ 7,907,942	$ -0-	$ 7,907,942
Student Foundation	485,300	-0-	485,300
Cultural center	180,474	-0-	180,474
Women's programs	43,916	-0-	43,916
Miscellaneous	113,582	-0-	113,582
	8,731,214	-0-	8,731,214
Grants and aid to the University:			
Operating support:			
University support	2,162,254	30,431,424	32,593,678
Student scholarship and financial aid	98,887	27,714,355	27,813,242
Faculty support	3,335,046	34,210,851	37,545,897
Faculty research	-0-	6,837,617	6,837,617
	5,596,187	99,194,247	104,790,434
Endowment and capital additions:			
Land, building and equipment purchases	41,288	9,338,522	9,379,810
Library and art acquisitions	1,800	556,884	558,684
	43,088	9,895,406	9,938,494
Total program expenditures	$ 14,370,489	$ 109,089,653	$ 123,460,142

Indiana University Foundation
Notes to the Financial Statements
June 30, 2009 and 2008

		2008	
Program expenditures:	**Foundation**	**Unrestricted University***	**Total**
Foundation programs:			
Real estate	$ 5,419,483	$ -0-	$ 5,419,483
Air transportation services	900,155	-0-	900,155
Student Foundation	598,266	-0-	598,266
Cultural center	262,681	-0-	262,681
Women's programs	4,569	-0-	4,569
Miscellaneous	774	-0-	774
	7,185,928	-0-	7,185,928
Grants and aid to the University:			
Operating support:			
University support	6,531,497	38,697,972	45,229,469
Student scholarship and financial aid	99,083	26,415,260	26,514,343
Faculty support	1,877	15,009,768	15,011,645
Faculty research	-0-	7,880,327	7,880,327
	6,632,457	88,003,327	94,635,784
Endowment and capital additions:			
Land, building and equipment purchases	277,558	56,487,477	56,765,035
Library and art acquisitions	10,329	1,324,375	1,334,704
	287,887	57,811,852	58,099,739
Total program expenditures	$ 14,106,272	$ 145,815,179	$ 159,921,451

*These expenditures relate to temporarily restricted University net assets reclassified to unrestricted as the time or purpose restrictions are met. These amounts are included in the Statement of Activities as net assets released from restriction.

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying basic financial statements of Indiana University, a component unit of the State of Indiana, as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana University, as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2009, on our consideration of Indiana University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS
State Board of Accounts

October 20, 2009

Trustees and Administrative Officers of Indiana University

The Trustees of Indiana University

for fiscal year ended June 30, 2009

Administrative Officers

for fiscal year ended June 30, 2009

Additional Information

Additional copies of this report may be obtained from:

Office of the Vice President and Chief Financial Officer
Bryan Hall 204
Indiana University
Bloomington, IN 47405-7000
http://www.indiana.edu/~vpcfo/
PDF file of this report: http://www.indiana.edu/~vpcfo/reports/index.shtml

For additional information:

General Information
Vice President for Public Affairs and Government Relations
Bryan Hall 300
107 S. Indiana Avenue
Bloomington, IN 47405-7000
http://www.indiana.edu/~pagr/

Financial Report
Associate Vice President and Executive Director
Financial Management Services
Poplars 519
Indiana University
Bloomington, IN 47405-3085
http://www.fms.iu.edu/

Admissions
Vice Provost for Enrollment Management
Office of Admissions
300 N. Jordan Ave.
Indiana University
Bloomington, IN 47405-1106
http://www.admit.indiana.edu

Gifts
Indiana University Foundation
Showalter House
P.O. Box 500
Bloomington, IN 47402-0500
http://iufoundation.iu.edu/

Grants
Office of the Vice Provost for Research
601 E. Kirkwood Avenue, Franklin Hall 116
Bloomington, IN 47405
http://www.research.indiana.edu/leadership/index.html

Athletics
Athletics Publicity Office
Assembly Hall
1001 East 17th Street
Indiana University
Bloomington, IN 47408
http://www.iub.edu/athletic/

Alumni
Alumni Association
1000 East 17th Street
Indiana University
Bloomington, IN 47408
http://alumni.indiana.edu

Acknowledgements

The following members of Financial Management Services prepared the *2008-09 Financial Report* and the included financial statements.

Kathleen T. McNeely, Associate Vice President and Executive Director, Financial Management Services
Joan Hagen, Chief Accountant and Managing Director, Financial Management Services
William Overman, Manager of External Financial Reporting
Melody Amato, External Reporting and Compliance
Aaron Pritchett, External Reporting and Compliance

The following members of Financial Management Services assisted in the preparation of the *2008-09 Financial Report* and the included financial statements.

Sterling George, Director of Operations, Systems Administration, and Records Management
Jennifer George, Director of Accounts Receivable, Auxiliary Accounting, Capital Assets, and Student Loan Administration
Rhonda Inman, Manager, Auxiliary Accounting
Phyllis Taylor, Senior Communications Specialist

The following entities provided data essential in the preparation of the financial statements.

Construction Management
Indiana University Foundation
Office of the Treasurer
Real Estate
Risk Management
Student Information and Fiscal Services
University Architect's Office
University Communications
University Human Resource Services


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EXHIBIT B

CERTIFICATE RE: AUDITED FINANCIAL STATEMENTS

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission (the "SEC") in SEC Rule 15c2-12, as amended (the "Rule"), under the Continuing Disclosure Undertaking Agreements dated September 6, 1995, and May 6, 1998, as supplemented (collectively, the "Continuing Disclosure Agreement") between The Trustees of Indiana University, as Obligor and The Bank of New York Mellon Trust Company, N. A. (successor in interest to NBD Bank, N.A.), as Counterparty, the undersigned, on behalf of Obligor, hereby certifies that the attached audited financial report for the fiscal year ended June 30, 2009 of the Obligor, constitutes the audited financial statements required by Article III, Section 3.04 of the First Supplemental Indenture to the Indenture of Trust dated as of May 1, 1994, and Section 5 of the Continuing Disclosure Agreement for the various obligations of the Obligor listed on Schedule I hereto with the exception of Facility Revenue Bonds 1994 A noted by the Section reference directly above.

THE TRUSTEES OF INDIANA UNIVERSITY,
AS OBLIGOR

MaryFrances McCourt, Treasurer

Dated: December 21, 2009

EXHIBIT C

CERTIFICATE RE: ANNUAL INFORMATION DISCLOSURE

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission (the "SEC") in SEC Rule 15c2-12, as amended (the "Rule"), under the Continuing Disclosure Undertaking Agreements dated September 6, 1995, and May 6, 1998, as supplemented (collectively, the "Continuing Disclosure Agreement") between The Trustees of Indiana University, as Obligor and The Bank of New York Mellon Trust Company, N. A. (successor in interest to NBD Bank, N.A.), as Counterparty, the undersigned, on behalf of Obligor, hereby certifies that the attached Annual Disclosure, dated December 2009, constitutes the Annual Information required by Article III, Section 3.04 of the First Supplemental Indenture to the Indenture of Trust dated as of May 1, 1994, and Section 5 of the Continuing Disclosure Agreement, relating to the various obligations of the Obligor listed on Schedule I hereto with the exception of Facility Revenue Bonds 1994 A noted by the Section reference directly above.

THE TRUSTEES OF INDIANA UNIVERSITY,
AS OBLIGOR

M. F. McCourt
____

MaryFrances McCourt, Treasurer

Dated: December 21, 2009

Schedule I

THE TRUSTEES of INDIANA UNIVERSITY (CUSIP6: 455167 and 455152)
Annual Disclosure Document
December 2009

Relating to the following bond issues occurring in the month and year specified:

Indiana University Student Fee Bonds, Series K: August 1995
Indiana University Student Fee Bonds, Series L: April 1998
Indiana University Student Fee Bonds, Series M: December 1999
Indiana University Student Fee Bonds, Series N: June 2001
Indiana University Student Fee Bonds, Series O: March 2003
Indiana University Certificates of Participation, Series 2003A: April 2003
Indiana University Student Fee Bonds, Series P: December 2004
Indiana University Student Fee Bonds, Series Q: June 2006
Indiana University Student Fee Bonds, Series R: June 2006
Indiana University Student Fee Bonds, Series S: February 2008

Indiana University Facility Revenue Bonds, Series 1994A: May 1994
Indiana University Student Residence System Bonds, Series 2004B: June 2004
Indiana University Facility Revenue System Bonds, Series 2004: July 2004
Indiana University Consolidated Revenue Bonds, Series 2008A: February 2008
Indiana University Consolidated Revenue Bonds, Series 2009A: April 2009