THE TRUSTEES of INDIANA UNIVERSITY (“INDIANA UNIVERSITY”)
Annual Disclosure Document
December 20, 2017

This filing relates to the following bonds outstanding as of June 30, 2017 for the issues occurring in the month and year specified:

Indiana University Student Fee Bonds, Series O: March 2003
Indiana University Student Fee Bonds, Series S: February 2008
Indiana University Student Fee Bonds, Series T-2: April 2010
Indiana University Student Fee Bonds, Series U: July 2011
Indiana University Student Fee Bonds, Series V-1 & V-2: October 2012
Indiana University Student Fee Bonds, Series W-1 & W-2: January 2015
Indiana University Student Fee Bonds, Series X: August 2016

Indiana University Consolidated Revenue Bonds, Series 2008A: February 2008
Indiana University Consolidated Revenue Bonds, Series 2009A: April 2009
Indiana University Consolidated Revenue Bonds, Series 2010B: May 2010
Indiana University Consolidated Revenue Bonds, Series 2011A: March 2011
Indiana University Consolidated Revenue Bonds, Series 2012A: January 2012
Indiana University Consolidated Revenue Bonds, Series 2015A: April 2015
Indiana University Consolidated Revenue Bonds, Series 2016A: April 2016

Indiana University Certificates of Participation, Series 2009B: December 2009
Indiana University Certificates of Participation, Series 2012A: February 2012
Indiana University Certificates of Participation, Series 2013A: March 2013

Indiana University Lease Purchase Obligations, Series 2014A: February 2014
Indiana University Lease Purchase Obligations, Series 2015A: May 2015
Indiana University Lease Purchase Obligations, Series 2017A: March 2017

INDIANA UNIVERSITY

Table of Contents

INDIANA UNIVERSITY

General

Indiana University (the “University” or “IU”) is one of the largest universities in the nation. It was established by the Indiana General Assembly (the “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. The University includes seven campuses, with core campuses in Bloomington and Indianapolis and regional campuses serving other areas of Indiana, which are located in Gary (“Northwest”), Kokomo, New Albany (“Southeast”), Richmond (“East”), and South Bend. The Bloomington campus is the oldest and largest campus of the University, occupying 1,939 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 seven campuses of the University encompass a total of 3,034 acres. Indiana University and Purdue University (“Purdue”) jointly offer academic programs at IUPUI and Fort Wayne. The University has fiscal responsibility for IUPUI, and Purdue has fiscal responsibility for its Fort Wayne campus, with the exception of certain academic missions within IU’s control (see “Regarding the Agreement and Plan of Realignment for Indiana University Purdue University Fort Wayne”). For the fall semester of 2017 the University’s headcount enrollment was 100,802 including IU students at the Purdue administered Fort Wayne campus, or 94,698 IU students at campuses administered by the University. The University's total full time equivalent enrollment for the fall semester of 2017 was 85,918 including IU students at the Purdue administered Fort Wayne campus, or 82,127 IU Students at campuses administered by the University.

Forward-looking Statements

Certain information contained in this document, including in particular, that titled “Student Enrollment,” “Fees - Student Budget,” “Operating Budget and Related Procedures,” “Regarding the Agreement and Plan of Realignment for Indiana University Purdue University Fort Wayne,” “State Appropriations to the University,” and “Capital Program” and under the financial report accompanying this document —“Management Discussion and Analysis”, contains “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 “State”). Additionally, certain information contained in this document titled “Financial Operations of the University,” “Physical Plant - Capital Assets, Net,” “Postemployment Benefits,” “Related Organization,” “Required Supplementary Information,” “Retirement Plans,” and “Risk Management” are from current and/or prior audited IU financial reports; the “Indiana University Foundation - Indiana University Foundation Financial Summary” (the “Foundation”) is from its current and/or prior audited financial reports. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. 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 Colleges, Schools & Divisions of the University

The University divides the academic year into two academic semesters and an additional summer session. The University offers courses in the arts, humanities, social, behavioral, physical and life sciences, and professional fields. Many courses are available in online and hybrid formats. Additional programs include military science, professional practice, and special summer session programs.

The major areas and fields of study at the University's campuses are organized into specific schools, colleges and divisions as shown as of fall 2017.

University Schools, Colleges and Divisions

Bloomington	**East**
College of Arts and Sciences	Purdue Polytechnic Richmond
School of Art, Architecture + Design	School of Business and Economics
School of Global and International Studies	School of Education
The Media School	School of Humanities and Social Sciences
Hutton Honors College	School of Natural Science and Mathematics
Jacobs School of Music	School of Nursing and Health Sciences
Kelley School of Business	School of Social Work
Maurer School of Law	**Fort Wayne** [2]
School of Education	School of Dentistry
School of Informatics, Computing, and Engineering	School of Medicine [1]
School of Medicine [1]	School of Nursing
School of Nursing	School of Social Work
School of Optometry	**Kokomo**
School of Public and Environmental Affairs	Division of Allied Health Sciences
School of Public Health	Purdue Polytechnic Kokomo
School of Social Work	School of Business
University Division	School of Education
University Graduate School	School of Humanities and Social Sciences
IUPUI	School of Nursing
Herron School of Art and Design	School of Sciences
Honors College	**Northwest**
IUPU-Columbus	College of Arts and Sciences
Kelley School of Business	College of Health and Human Services
Lilly Family School of Philanthropy	School of Medicine [1]
Richard M. Fairbanks School of Public Health	School of Nursing
Robert H. McKinney School of Law	School of Public and Environmental Affairs
School of Dentistry	School of Social Work
School of Education	School of Business and Economics
School of Engineering and Technology (Purdue)	School of Education
School of Health and Rehabilitation Sciences [2]	**South Bend**
School of Informatics and Computing	College of Liberal Arts and Sciences
School of Liberal Arts	Ernestine M. Raclin School of the Arts
School of Medicine [1]	Judd Leighton School of Business and Economics
School of Nursing	Purdue Polytechnic South Bend
School of Physical Education and Tourism Management [3]	School of Education
School of Public and Environmental Affairs	School of Social Work
School of Science (Purdue)	Vera Z. Dwyer College of Health Sciences
School of Social Work	**Southeast**
University College	Division of General Studies
University Graduate School	Purdue Polytechnic New Albany
	School of Arts and Letters
	School of Business
	School of Education

[1] The Indiana University School of Medicine has a Statewide Medical Education System, consisting of centers at Bloomington, Evansville, Fort Wayne, Gary, Indianapolis, Muncie, South Bend, Terre Haute and West Lafayette.
[2] See Regarding the Agreement and Plan of Realignment for Indiana University Purdue University Fort Wayne.
[3] The School of Physical Education and Tourism Management and School of Health and Rehabilitation Sciences on the IUPUI campus will be combined to become the School of Health and Human Sciences on July 1, 2018.

Authorized Degree Programs and Degrees Conferred

For the academic year ended June 30, 2017, 807 Indiana University degree programs, including some offered through on-line education, were authorized and implemented on the University's campuses. Four-year programs leading to baccalaureate degrees constitute the largest single category, accounting for 396 programs. Advanced degrees (doctoral and professional) and master's degrees account for 395 programs. Associate degrees account for 16 programs.

During the academic year ended June 30, 2017, the University awarded a total of 20,514 degrees consisting of 14,218 bachelor's degrees, 4,588 master's degrees, 1,527 professional and doctoral degrees, and 181 associate degrees.

Accreditations and Memberships

Indiana University is fully accredited by the Higher Learning Commission. Indiana University is a member of the American Council on 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 ("Trustees"), which under Indiana statutes has policy and decision-making authority to carry out the programs and missions of the 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 the University for three year terms, with one alumnus trustee being elected each year. One trustee position must be a full-time student of the University, who is appointed by the Governor for a two year term. Certain officers of the Board of Trustees are not members.

The current members and officers of the Board of Trustees are listed below:

Board of Trustees Members

Zachary D. Arnold	Medical student, IU School of Medicine, Muncie Center
MaryEllen Kiley Bishop	Attorney/Partner, Cohen, Garelick and Glazier
W. Quinn Buckner	Vice President of Communications, Pacers Sports and Entertainment
Philip N. Eskew, Jr.	Director, Physician and Patient Relations, (Retired), St. Vincent Hospital; Clinical Professor, Obstetrics & Gynecology (Emeritus Faculty), IU School of Medicine
Harry L. Gonso	Attorney/Partner, Ice Miller LLP
Michael J. Mirro	Physician (Retired), Parkview Physicians Group; Co-director, Midwest Alliance for Health Education; Medical Director, Parkview Mirro Center for Research and Education, Mirro Center for Research and Innovation
James T. Morris	Vice Chairman, Pacers Sports and Entertainment; President (former), Lilly Endowment; Executive Director (former), United Nations World Food Programme; Chairman and CEO (former), IWC Resources Corporation and Indianapolis Water Company
Patrick A. Shoulders	Attorney/Partner, Ziemer, Stayman, Weitzel & Shoulders
Melanie S. Walker	Chief Executive Officer, Tsuchiya Group North America; President, TASUS Corporation

Board of Trustees Officers

Michael J. Mirro	Chair of the Trustees
Patrick A. Shoulders	Vice Chair of the Trustees
Donald S. Lukes	Treasurer of the Trustees
John A. Sejdinaj	Assistant Treasurer of the Trustees
Deborah A. Lemon	Secretary of the Trustees
Jacqueline A. Simmons	Assistant Secretary of the Trustees

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 University officers.

Michael A. McRobbie	President
John S. Applegate	Executive Vice President for University Academic Affairs
Nasser H. Paydar	Executive Vice President and Chancellor, IUPUI
Lauren K. Robel	Executive Vice President and Provost, Indiana University Bloomington
Fred H. Cate	Vice President for Research
G. Frederick Glass	Vice President and Director of Intercollegiate Athletics
Jay L. Hess	Vice President for University Clinical Affairs
Thomas A. Morrison	Vice President for Capital Planning and Facilities
Michael M. Sample	Vice President for Government Relations
John A. Sejdinaj	Vice President and Chief Financial Officer
Jacqueline A. Simmons	Vice President and General Counsel
William B. Stephan	Vice President for Engagement
Bradley C. Wheeler	Vice President for Information Technology and Chief Information Officer
James C. Wimbush	Vice President for Diversity, Equity, and Multicultural Affairs
David Zaret [1]	Vice President for International Affairs
Terry L. Allison	Chancellor of Indiana University South Bend
Kathryn Cruz-Uribe	Chancellor of Indiana University East
William J. Lowe	Chancellor of Indiana University Northwest
Susan Sciame-Giesecke	Chancellor of Indiana University Kokomo
Ray Wallace	Chancellor of Indiana University Southeast

[1] David Zaret's appointment as Vice President of International Affairs will end on June 30, 2018, Hannah Buxbaum has been appointed to the position beginning July 1, 2018.

The following are President Emeriti of the University, with most recent listed first:

Adam W. Herbert	President Emeritus of the University
Thomas Ehrlich	President Emeritus of the University

These are brief biographical sketches of certain officers:

MICHAEL A. MCROBBIE – Michael A. McRobbie took office as the 18th President of the University on July 1, 2007. Under his leadership, IU has seen a major expansion in the size, quality, and diversity of its student body; a large-scale academic restructuring; a reinvigoration of the global partnerships that support the University's international academic and educational programs; the greatest sustained period of renovation, renewal and repurposing of our existing facilities, and the construction of new facilities, in IU's history; the completion of the $1.1 billion "Matching the Promise" endowment campaign at IU Bloomington and the $1.3 billion "IMPACT" campaign on the IUPUI campus; and the launch of the $3 billion "For All Bicentennial Campaign," an ongoing university-wide campaign that will conclude during IU's bicentennial year of 2020. McRobbie also oversaw the development of *The Bicentennial Strategic Plan for Indiana University*, a set of bold goals designed to keep Indiana University on the course of greatness in its third century. McRobbie joined the University in 1997 as Vice President for Information Technology and Chief Information Officer. He assumed the additional position of Vice President for Research in 2003. He was named Interim Provost and Vice President for Academic Affairs of the Bloomington campus in 2006. McRobbie holds professorships in computer science, informatics, and philosophy, and adjunct professorships in cognitive science and information science. 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. A native of Australia who became a U.S. citizen in 2010, he earned a Bachelor of Arts degree from the University of Queensland and a Doctoral degree at the Australian National University. He has also received honorary degrees from the Australian National University, Griffith University in Australia, the University of Queensland, the South East European University in Macedonia, and Sungkyunkwan University in Seoul, South Korea. In 2012, McRobbie became the first sitting IU President to be elected a member of the American Academy of Arts and Sciences. In 2016, he was elected as a member of the Council on Foreign Relations. Additionally, McRobbie has been elected an honorary member of the Australian Academy of Humanities and appointed as an Officer in the General Division of the Order of Australia, one of that nation's highest honors.

JOHN A. SEJDINAJ – John Sejdinaj was named Vice President and Chief Financial Officer of the University in August 2016. Sejdinaj provides leadership for the management of (a) the Controller's Office, which includes Financial Management Services (external financial reporting, tax compliance, cost accounting, cash control, general ledger operations, accounts payable and payroll); (b) Procurement Services, which includes Indiana University Purchasing Department, Travel Management Services, Business Diversity and Licensing and Trademarks; (c) the Office of the Treasurer, which includes Capital Finance, Financial Literacy, Insurance and Loss Control, Investments, Treasury Operations, and University Bursar; (d) University Budget Office; and (e) University Human Resources, which includes The Centers of Expertise (Compensation, Benefits, Talent Acquisition, Talent and Organizational Development, Employee and Labor Relations, and Healthy IU), Human Resources ("HR") Operations, and HR Business Partners. Before joining the staff of Indiana University, Sejdinaj was Vice President for Finance at the University of Notre Dame. He also served in various financial roles in budgeting, treasury, capital planning and investments at Notre Dame. Throughout his career, he has improved business processes, developed financial strategies, and enabled financial staff to support academic and administrative units. Before coming to Notre Dame, he enjoyed a successful career in banking and investment banking. Sejdinaj earned his bachelor's degree from Notre Dame and a Master of Business Administration degree from DePaul University.

DONALD S. LUKES – Donald Lukes was named Treasurer of the University in July 2015 and Treasurer of the Trustees effective August 2015, after previously serving as Associate Vice President & Associate Treasurer since April 2014 and Assistant Treasurer of the Trustees since August 2014. Lukes is responsible for Capital Finance, Financial Literacy, Insurance and Loss Control, Investments, Treasury Operations, and University Bursar. Before joining the staff of Indiana University, Lukes spent 10 years in the energy and utility industry where he had various roles including directing treasury operations, debt and acquisition financing, and insurance as well as managing business development efforts. Lukes is a Certified Public Accountant and a Chartered Global Management

Accountant. He previously served as an auditor for a public accounting firm. Lukes graduated with a B.S. in Accounting and an M.B.A. in Finance and Strategic Management from the IU Kelley School of Business.

Facilities

Square Footage As of fall 2017, there were 821 buildings on the campuses administered by the University encompassing 33.7 million gross square feet, of which approximately 20.0 million square feet are assignable to operating units. As of fall 2016, there were 826 buildings on campuses administered by the University.

Libraries The University's library system serves all campuses with separate collections as well as interlibrary loan programs. As of June 30, 2017, the library system holdings included 13.3 million volumes. The University's libraries are open to residents of the State as well as University faculty and staff.

The Lilly Library on the Bloomington campus houses the University's collections of rare books and manuscripts. Its holdings number more than 450,000 books, over 8,500,000 manuscripts and 150,000 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, including a high-speed campus network with wireless access; central web hosting; tools and support for instruction and research; supercomputers for data analysis and visualization; thousands of virtual servers in the state-of-the-art, disaster-resistant Data Center; and hundreds of public-access, Internet-connected workstations. Interconnecting these resources is a high-speed statewide fiber optic network connecting all University campuses. The network is connected to national and international research and education networks, such as the Internet2 Network. UITS has offices at IU Bloomington, IUPUI, IU East, IU Kokomo, IU Northwest, IU South Bend, and IU Southeast, and employs approximately 1,000 highly trained professionals to support and expand the University's information technology capabilities. UITS is composed of six divisions: Research Technologies; Learning Technologies; Client Services and Support; Enterprise Systems; Networks; and Clinical Affairs Information Technology Services, all working together to support the University community in its use of information technology. UITS reports to the Office of the Vice President for Information Technology and Chief Information Officer, which provides leadership for the continued development of information technology at IU.

Research As of fall 2017, the University, excluding the Fort Wayne campus, had approximately 1.1 million 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 include residence halls, on-campus apartments, and fraternity and sorority houses. As of fall 2017, the Bloomington campus provided residence hall housing for 10,975 students and apartment housing for 1,601 students. Occupancy in Bloomington campus residence halls and apartment housing was 98% for both. On the Bloomington campus, as of fall 2017, approximately 7,461 undergraduate students participated in Greek life in 40 fraternities and 32 sororities, with 17 fraternities and 20 sororities providing on-campus housing for 3,046 of their members. As of fall 2017, the residence facilities on the IUPUI campus provided living quarters for 2,399 students, through a combination of apartment style housing, traditional co-ed residence halls, and townhouse units. As of fall 2017, occupancy in IUPUI campus housing was 100%. As of fall 2017, the South Bend campus provided living quarters for approximately 387 students with housing occupancy at 97%. As of fall 2017, the Southeast campus provided living quarters for approximately 395 students with housing occupancy at 95%. Other regional campuses for which the University has fiscal responsibilities 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 twenty one garages on four campuses and at various surface lots on all University campuses.

Athletic Facilities Indiana University's Bloomington campus is home to a 52,929-seat Memorial Stadium for football and 17,222-seat Simon Skjodt Assembly Hall for basketball. Additional facilities include Andy Mohr Field, Bart Kaufman Field, Bill Armstrong Stadium (Jerry Yeagley Field), Cook Hall, Counsilman-Billingsley Aquatic Center, Gladstein Fieldhouse, Henke Hall of Champions, IU Championship Golf Course (with driving range), IU Cross Country Course, IU Field Hockey, John Mellencamp Pavilion, Robert C. Haugh Track & Field Complex (Hayes Track), Shuel Academic Center, University Gymnasium, varsity soccer practice fields, varsity tennis courts, and Wilkinson Performance Center. The athletics program currently has under way three projects: the Memorial Stadium Excellence Academy, which is an addition and a partial renovation of the Memorial Stadium mentioned; a rebuild of the 18-hole Championship Golf Course and driving range to allow for construction of the new IU Health Bloomington Hospital; and an approximately 3,000-seat multisport gymnasium called Wilkinson Hall for volleyball and wrestling competitions and other sports practices. The IUPUI campus is home to the IU Natatorium and the Michael A. Carroll Track, Soccer Stadium, and other athletic facilities. Other regional campuses for which the University has fiscal responsibilities have various athletic facilities.

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

Faculty and Staff

The following table shows the Full Time Equivalent Faculty and Staff of the University for the years shown

Full Time Equivalent Faculty and Staff [1,2]

Fall Semester	Instructional Faculty and Administrators [3]	Staff [4]	Total FTE
2013	5,919	12,181	18,100
2014	5,961	12,314	18,275
2015	5,986	12,283	18,269
2016	6,102	12,684	18,786
2017	6,167	12,949	19,116

Source: University Institutional Research and Reporting
[1] Prior year reporting provided the number of full-time employees.
[2] IU faculty and staff at the Fort Wayne Campus have been excluded from this report.
[3] Instructional Faculty and Administrators are defined as Academic Staff who are Tenure/Tenure Track Faculty, Non Tenure Track Faculty and Executive/Administrators with faculty status.
[4] Staff are defined as Academic Professionals, Executive/Administrators without faculty status, and Support Staff: Professional, Administrative (secretarial/clerical), Functional (paraprofessional/technical), and Infrastructure (skilled crafts, service/maintenance). University employees represented by unions are a subset of the reported staff figure.

The percentage of faculty at the University's Bloomington and IUPUI campuses who had tenure are 75% and 69%, respectively, as of the fall semester of 2017. Percent of tenured faculty is calculated by dividing the number of full-time faculty and administrators who are tenured by the total number of full-time faculty and administrators who are eligible for tenure. As of the fall semester of 2016, 92% of Bloomington campus faculty (including visiting faculty) and academic administrators with professional rank held a doctoral or professional degree. This percentage was 93% at IUPUI and 90% at the other campuses.

Indiana University recognizes four employee unions, which include: the International Alliance of Theatrical Stage Employees ("IATSE") on the Bloomington campus; the American Federation of State, County and Municipal Employees ("AFSCME") Service Staff, for certain custodian, craft, maintenance and food service personnel on the Bloomington, IUPUI, and South Bend campuses; AFSCME Police for certain police officers on the Bloomington, IUPUI, East, Kokomo, Northwest, South Bend, and Southeast campuses; and the Communications Workers of America ("CWA") for certain clerical, technical, and support personnel on the Bloomington and Northwest campuses. In total, these four employee unions currently provide exclusive representation to over 3,000 University employees across all seven administered campuses. 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 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. Each union's status as exclusive representative of certain University employees is conditioned upon their disavowal of the right to strike in accordance with such law and Trustees policy.

Student Admissions

Of Indiana University's total fall 2017 degree-seeking enrollment, students come from 50 states, Washington D.C., and 101 foreign countries. Students from the state of Indiana make up 69% of the student population. Out-of-state students make up 18% of the student population and students from foreign countries make up 13% of the student population.

The following table 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, excluding the Fort Wayne campus.

Undergraduate Applications and Enrollments Excluding Fort Wayne [1]

Academic Year Ended June 30	Applications Received	Applicants Accepted	Percent Accepted	Percent of Accepted Enrolled
2014	58,667	41,988	71.6%	35.9%
2015	58,204	43,299	74.4	35.2
2016	56,659	42,858	75.6	35.5
2017	57,037	43,919	77.0	34.1
2018 [2,3]	62,681	48,035	76.6	32.5

Source: University Institutional Research and Reporting

[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 the preceding summer session, as degree-seeking students. Students who began taking college level coursework while in high school and are enrolled as a traditional beginning student during the fall or the preceding summer session are also included. This methodology is consistent with external reporting requirements.

[2] In fall 2017, IU welcomed its largest beginner cohort of 15,610 students (up 614 students from fall 2016), including 8,001 beginning students at the Bloomington campus and 4,093 beginning students at the IUPUI campus.

[3] Applicants to IU Bloomington apply via "Apply IU" online application (formerly Indiana University eApplication), Common Application, or Coalition Application. The Common Application is used by more than 700 colleges and universities in the United States and around the world. The Coalition Application makes use of a centralized toolkit populated by high school students to submit their college applications and is used by more than 100 public and private United States universities and colleges. Moving to this broader application space led to a 21% increase in application volume on the Bloomington campus in the first full year of adoption. Applicants to the IUPUI campus for the academic year beginning in fall 2019 may apply via the Common Application in addition to Apply IU, which is used by all IU campuses.

In fall 2017, 94.9% of Bloomington campus beginning students ranked in the upper 50% of their high school class. During the same period, 70.2% of beginning students ranked in the upper 25% of their high school class, and 35.6% of beginning students ranked in the top 10%.

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 the University, as compared to the national average:

Undergraduate Beginner Average SAT Scores

Academic Year Ended June 30	Indiana University Historic Scale	Indiana University Current Scale [1]	National Historic Scale	National Current Scale
2014	1070	1150	1010	NA
2015	1068	1148	1010	NA
2016	1073	1151	1006	NA
2017	1072	1149	1002	NA
2018	NA	1153	NA	1060

Source: University Institutional Research and Reporting

[1] In March 2016, the College Board introduced a new SAT test structure with a new SAT test scale (being referred to as "Current Scale"). In comparing fall 2017 Current Scale scores to prior years (converted to the Current Scale to allow for meaningful comparison), IU as a whole saw a 4-point gain in undergraduate beginner average SAT scores in fall 2017 relative to fall 2016. Indiana University scores were converted to the Current Scale using the official conversion scale released by the College Board. The national average Current Scale is not available for years prior to 2018 as of December 1, 2017.

Student Enrollment

The enrollment reporting below excludes certain high school students; in order to prepare for the fall 2017 exclusion of high school students not paying a full credit hour price but receiving instruction at an IU campus. Since the Fall 2017 Enrollment Study does not reflect high school students inclusion in enrollment projections, certain historical high school students were removed. Once officially defined, these high school students will not be counted in official enrollment on the census date (date at which enrollments are "frozen" for reporting purposes). The census date typically reflects the end of the first week of classes and /or the end of the drop/add period for course registrations to allow for full refunds. This change in reporting will likely target the Advanced College Program ("ACP") population. IUPUI uses Special Programs for Academic Nurturing ("SPAN"), in which high school students pay full price and are and will continue to be reflected in census. Fort Wayne IU enrollments include high school students receiving instruction at that campus in IU related programs.

Headcount enrollments for Bloomington, IUPUI and regional campuses of the University for the fall semester are shown in the following table. The Fort Wayne campus enrollment numbers indicate the students in Indiana University academic programs on that campus.

– Remainder of Page Intentionally Left Blank –

Total Official Headcount Enrollment by Campus [1]

Fall Semester	Bloomington	IUPUI	Regionals Excl. Fort Wayne	Enrollment IU Campuses	Fort Wayne [2]	Total Enrollment
2013	42,327	30,488	24,307	97,122	8,280	105,402
2014	42,634	30,690	23,444	96,768	8,158	104,926
2015	43,145	30,105	22,710	95,960	7,892	103,852
2016 [3]	43,698	29,804	21,683	95,185	7,426	102,611
2017 [3]	43,710	29,791	21,197	94,698	6,104	100,802

Source: University Institutional Research and Reporting

[1] Fall 2013 through fall 2016 excludes high school students and fall 2017 excludes ACP students. Had ACP students rather than all high school students been excluded between fall 2013 through 2016, the headcount enrollment would have increased on average by 135.

[2] The Fort Wayne campus has had a transitional period, beginning in August 2014 and continuing through 7/1/2018. See Regarding the Agreement and Plan of Realignment for Indiana University Purdue University Fort Wayne.

[3] As of Fall 2017, Indiana University changed official census enrollment to no longer include high school students who are taking college courses simultaneously, which is referred to as dual credit. Dual-credit enrollment registrations will still be recorded, but they will not be included in official census enrollment numbers. The census date typically reflects the end of the first week of classes and/or the end of the drop/add period for course registrations to allow for full refunds. This change affects the Bloomington and IU administered regional campuses. The IUPUI campus uses a program referred to as Special Programs for Academic Nurturing (SPAN), in which high school students pay full price and are and will continue to be reflected in census. Fort Wayne IU enrollments include high school students receiving instruction at that campus in IU related programs because IU currently does not have consistent methodology in place to remove their high school students since Purdue University is the reporting agent; this will be assessed further in fall 2018. In preparation for the dual-credit enrollment process change, prior years' data through fall 2016 used a more generic definition which excluded all high school students. The fall 2017 and fall 2016 enrollment reporting changes were made to produce a more realistic and stable view of enrollment trends and more accurately reflects the breadth of the university's programs.

Projected headcount enrollments for Bloomington, IUPUI and the regional campuses of the University, excluding Fort Wayne, for the fall semesters are as shown in the following table.

Projected Headcount Enrollment by Campus Excluding Fort Wayne [1,2,3]

Fall Semester	Bloomington	IUPUI	Regionals Excl. Fort Wayne	Enrollment IU Campuses
2018	44,042	29,903	20,817	94,762
2019	44,415	29,769	20,856	95,040
2020	44,694	30,518	21,271	96,483
2021	44,832	30,920	21,431	98,143

Source: University Institutional Research and Reporting

[1] The projections presented in this table were prepared based on the Fall 2017 Enrollment Study. No representation can be made as to the ability of the University to achieve these projections.

[2] The figures shown within the Total Official Headcount Enrollment by Campus table for fall 2013 through fall 2017 are used as the basis for the Fall 2017 Enrollment Study.

[3] The University does not project enrollments for the Fort Wayne campus, since federal reporting is Purdue's responsibility through academic year 2017-18.

The following table sets forth the total official and projected headcount enrollment of undergraduate and graduate and professional students, combined for all campuses, excluding Fort Wayne, for the fall semester of the years indicated. The table also includes full-time equivalent enrollment and fiscal year credit hours taken.

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

Fall Semester	Undergraduate	Graduate & Professional	Enrollment IU Campuses	Full-Time Equivalent	Fall Credit Hours
Actual [1,3]					
2013	77,132	19,990	97,122	80,911	1,182,066
2014	76,877	19,891	96,768	81,578	1,192,248
2015	76,051	19,909	95,960	81,303	1,188,251
2016	75,030	20,155	95,185	82,093	1,199,662
2017	74,606	20,092	94,698	82,127	1,200,258
Projected [2,4]					
2018	74,572	20,190	94,762	83,158	1,200,416
2019	74,933	20,107	95,040	83,484	1,205,538
2020	76,382	20,101	96,483	84,849	1,225,976
2021	78,060	20,123	98,183	86,387	1,249,043

Source: University Institutional Research and Reporting

[1] Fall 2013 through fall 2016 excludes high school students and fall 2017 excludes ACP students. This affects Undergraduate Headcount ("HC"), Enrollment HC All Campuses, Full-Time Equivalent and Fall Credit Hours. Had ACP rather than all high school students been excluded between fall 2013 through 2016, the FTE enrollment would have increased on average by 44 FTE.

[2] The projections presented in this table were prepared based on the Fall 2017 Enrollment Study. No representation can be made as to the ability of the University to achieve these projections.

[3] The figures shown within the tables for fall 2013 through fall 2017 were used as the basis for the Fall 2017 Enrollment Study. The Fall 2017 Enrollment Study projects FTE enrollment aligned with the Indiana Commission for Higher Education definition treating all doctoral, professional, or master's seeking students as graduates taking a standard course load of 12 credit hours per term. IU's official term enrollment reports treat professional-practice graduates as taking a standard course load of 15 credit hours per term and professional-research graduates as taking a standard course load of 12 credit hours per term. Had the projected FTE been based on actual IU historical enrollment for the fall 2013 through 2016 terms, FTE would have increased on average by 695 FTE.

[4] Indiana University has not historically estimated IU students at the Fort Wayne campus because federal reporting for the campus currently falls under the realm of Purdue. However due to more direct oversight of certain programs (e.g. Nursing, Dental Education, Medical Imaging, Social Work) beginning in fall 2018, IU intends to will include IU Fort Wayne in enrollment projections for the above mentioned programs as of the fall 2018. The Fort Wayne campus has had a transitional period, beginning in August 2014 and continuing through 7/1/2018. See Regarding the Agreement and Plan of Realignment for Indiana University Purdue University Fort Wayne.

Students enrolled in distance education are included in total enrollment presented above. The following table shows the distance education participation over the past five years, combined for all campuses, excluding the Fort Wayne campus.

Total Students Enrolled in Distance Education [1]

Fall Semester	Bloomington Headcount	IUPUI Headcount	Regionals HC Excl. Fort Wayne	Enrollment HC IU Campuses	Full-Time Equivalent	Fall Credit Hours
2013	3,054	8,867	6,048	17,969	7,174	81,137
2014	4,139	9,885	7,908	21,932	8,791	99,703
2015	4,420	9,806	9,514	23,740	9,826	111,445
2016	6,199	10,591	10,110	26,900	11,140	126,570
2017	7,490	11,179	10,596	29,265	12,280	139,557

Source: Office of Online Education

[1] Distance education includes asynchronous online and synchronous live video options.

Fees

The University operates its programs on a two semester and summer session basis. Tuition, fees and other costs of attending the University vary by campus and curriculum. Educational costs charged include instructional fees, fees associated with specific courses and/or academic programs, and room and board (if the student lives on campus).

In addition, individual campuses charge other mandatory fees to support certain services. See “Mandatory Fees”. Payments may be made in full by a specified date or students may make partial payments with subsequent installments over the semester or session, depending on the plan offered, for a small service charge.

Regular Instructional Fee Rates The Trustees approve tuition and fee rates for on-campus classes on a biennial basis. The following two tables indicate tuition and fees for undergraduate and graduate & professional students by academic year. Bloomington campus undergraduate students taking between 12 and 18 hours are assessed a banded instructional fee in academic years ended June 30 in 2015, 2016 and 2017; prior academic years reflect a banded instructional fee rate for undergraduate students taking between 12 and 17 hours. All other IU-administered campuses will have banded instructional fees for undergraduate students taking between 12 and 18 hours, beginning with academic year 2016-17. The graduate student amounts shown reflect the majority of graduate students not in professional programs. Graduate students are assessed fees on a credit-hour basis, except students in the MBA, Law (J.D.), Medicine, Dentistry, and Optometry (O.D.) programs, which pay higher flat fees than shown. All students, regardless of program or level, who enroll in classes coded as online education will be assessed a distance education course fee. These rates vary by campus and are not listed under the Undergraduate Students Tuition and Fees nor the Graduate and Professional Students Tuition and Fees tables. All fully-online student tuition rates are subject to approval of the highest level financial officer of the University, to whom such authority has been delegated by the Trustees in order that rate approval will not be bound by the biennial fee approval schedule for on-campus tuition. Amounts for “Tuition & Fees” are for full-time students for the fall and spring semester combined, including mandatory fees, which are also shown separately in the section that directly follows. See “Mandatory Fees”.

– Remainder of Page Intentionally Left Blank –

Undergraduate Students Tuition and Fees [1,2,3]

Academic Year Ended June 30	2014	2015	2016	2017	2018
Bloomington					
Resident Tuition & Fees	$10,209	$10,388	$10,388	$10,388	$10,533
Non-Resident Tuition & Fees	32,350	33,241	33,740	34,246	34,845
Resident Per Credit Hour	279	284	284	284	288
Non-Resident Per Credit Hour	971	998	1,014	1,030	1,048
IUPUI					
Resident Tuition & Fees	8,756	8,909	9,056	9,205	9,334
Non-Resident Tuition & Fees	29,571	30,088	29,775	29,792	29,806
Resident Per Credit Hour	258	263	267	271	275
Non-Resident Per Credit Hour	952	969	958	958	958
East					
Resident Tuition & Fees [4]	6,639	6,787	6,929	7,072	7,207
Non-Resident Tuition & Fees [4]	17,778	18,081	18,379	18.683	19,038
Resident Per Credit Hour	202	207	211	216	220
Non-Resident Per Credit Hour	573	583	593	603	614
Kokomo					
Resident Tuition & Fees [4]	6,674	6,810	6,941	7,072	7,207
Non-Resident Tuition & Fees [4]	17,778	18,081	18,379	18.683	19,038
Resident Per Credit Hour	203	207	212	216	220
Non-Resident Per Credit Hour	573	583	593	603	614
Northwest					
Resident Tuition & Fees [4]	6,738	6,853	6,962	7,072	7,207
Non-Resident Tuition & Fees [4]	17,778	18,081	18,379	18.683	19,038
Resident Per Credit Hour	205	209	212	216	220
Non-Resident Per Credit Hour	573	583	593	603	614
South Bend					
Resident Tuition & Fees [4]	6,815	6,905	6,986	7,072	7,207
Non-Resident Tuition & Fees [4]	17,778	18,081	18,379	18.683	19,038
Resident Per Credit Hour	208	210	213	216	220
Non-Resident Per Credit Hour	573	583	593	603	614
Southeast					
Resident Tuition & Fees [4]	6,699	6,827	6,949	7,072	7,207
Non-Resident Tuition & Fees [4]	17,778	18,081	18,379	18.683	19,038
Resident Per Credit Hour	204	208	212	216	220
Non-Resident Per Credit Hour	573	583	593	603	614

Source: University Bursar

[1] The biennial Trustees approved on-campus tuition is shown. Any degree-seeking student who enrolls in on-campus classes must be enrolled in an on-campus academic program and will be assessed on-campus tuition rates for all classes, including online classes. Tuition assessed undergraduate online students will be assessed by the credit hour regardless of load. Only fully-online undergraduate students qualify for the online undergraduate tuition rate. Resident undergraduate tuition for online students will be assessed at the corresponding on-campus rates with the online rate for joint programs set at an amount between the highest and lowest on-campus resident undergraduate rates. Nonresident undergraduate tuition for online students will be at least 30% higher than the corresponding on-campus resident rate.

[2] Where "& Fees" are shown, the figures include Mandatory Fees. See "Mandatory Fees".

[3] IUPUI and regional campuses tuition & fees are based on 15 credit hours per semester.

[4] Through academic year 2016, the regional campuses had varying amounts as shown, which became standardized in academic year 2017.

– Remainder of Page Intentionally Left Blank –

Graduate & Professional Students Tuition and Fees [1,2]

Academic Year Ended June 30	2014	2015	2016	2017	2018
Bloomington					
Resident Tuition & Fees	$9,248	$9,497	$9,743	$9,996	$10,279
Non-Resident Tuition & Fees	25,153	26,595	28,112	29,720	31,448
Resident Per Credit Hour	332	342	352	362	373
Non-Resident Per Credit Hour	994	1,054	1,117	1,184	1,255
IUPUI					
Resident Tuition & Fees	8,795	8,976	9,184	9,396	9,527
Non-Resident Tuition & Fees	23,991	24,015	24,032	24,049	24,287
Resident Per Credit Hour	325	331	339	347	352
Non-Resident Per Credit Hour	958	958	958	958	967
Regional Campuses					
Resident Tuition & Fees	6,732	6,857	7,047	7,242	7,453
Non-Resident Tuition & Fees	15,061	15,353	15,798	16,256	16,737
Resident Per Credit Hour	256	261	269	277	285
Non-Resident Per Credit Hour	603	615	634	653	672

Source: University Bursar

[1] Graduate/professional tuition rates are set by quality, competition, ranking and markets, and rates for resident online students may not be lower than corresponding on-campus rates.

[2] Where "& Fees" are shown, the figures include Mandatory Fees. See "Mandatory Fees".

Mandatory Fees The following table indicates the mandatory fees for undergraduate and for graduate and professional students attending the University for the academic years indicated. Undergraduate, graduate, and professional students are assessed at the same rate unless otherwise noted.

Mandatory Fees [1]

Academic Year Ended June 30	2014	2015	2016	2017	2018
Bloomington Student Activity, Technology, Transportation, Health & Other Campus Service Fees [2,3]	$930	$941	$935	$930	$930
Bloomington Repair & Rehabilitation ("R&R") Fees	360	360	365	371	371
IUPUI General Fee [2,3]	686	711	722	734	734
IUPUI R&R	320	320	325	330	330
Regional Campus Student Activity and Technology Fees [3,4,5]	469	471	471	471	471
Regional Campus R&R [4]	120	120	122	124	124

Source: University BursarMandatory fees for repair and rehabilitation, for technology, and for student activities for online students may be assessed according to the rules for assessment that apply to on-campus enrollment at the University's discretion.

[2] Amounts shown are for full-time students at Bloomington and IUPUI. Rates for part-time students are based on credit hours taken.

[3] There are various program fees based on school and program fees related to academic advising or retention for which students pay additional mandatory fees not shown.

[4] Students at regional campuses pay mandatory fees based on credit hours which are capped at 12 credit hours. Amounts shown are for full-time students at regional campuses administered by the University.

[5] Through academic year 2013, the regional campuses had varying amounts as shown, which became standardized in academic year 2014.

Student Budget The following Total Cost of Attendance is being used by the University's Bloomington Student Central on Union for financial aid considerations and represents an estimate of standard per-student costs for undergraduate on-campus first-year students at the Bloomington campus for the academic year shown.

Estimated Total Cost of Attendance for the Academic Year Ending June 30, 2018
for an Undergraduate First-Year Student

Cost of Attendance	Resident	Non-Resident
Instructional and Mandatory Fees	$10,533	$34,845
Room/Board [1]	$10,258	$10,258
Books/Supplies	1,034	1,034
Total Direct Costs	$21,825	$46,137
Miscellaneous	$2,110	$2,110
Transportation	492	492
Total Indirect Costs	$2,602	$2,602
Total Cost of Attendance	$24,427	$48,739

Source: University Bursar

[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. The rate shown is the most prevalent for room and board.

Student Financial Aid

Approximately 70% of the students at Indiana University receive financial aid that is processed through IU. Financial aid includes loans for students and their parent, gift aid, and work study. Gift aid does not need to be earned (like work study) or repaid (like loans). Gift aid examples include scholarships, grants to help students with financial need, fee remission for University employees, and federal veterans' benefits designated for tuition and fees. Financial aid is funded from federal, state, University, and private sources.

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

Academic Year Ended June 30	2013	2014	2015	2016	2017
Gifts and Grants	$ 519,019	$ 548,653	$ 576,346	$ 600,274	$ 635,693
Loans	620,989	579,682	572,409	553,293	539,577
Work Study	4,431	4,447	4,508	4,805	4,436
Total Financial Assistance	$1,144,439	$1,132,782	$1,153,263	$1,158,372	$1,179,706

Source: University Institutional Research and Reporting

[1] Student Financial Aid shown summarizes the financial aid, including parent loans, provided to IU students who were enrolled at census or as of an end-of-year snapshot, or who received a degree in the 12-month period between September 1, 2016 and August 30, 2017. All figures include both degree-seeking and non-degree students. A substantial portion of the funds provided are derived from sources outside of Indiana University, including federal, state, and private sources. Historically, federal loans, grants and other programs have provided a large portion of student financial assistance. All programs furnished by the federal and state governments 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 for students will be available in the future at the same levels and under the same terms and conditions as presently apply.

[2] Excludes IU students at the Fort Wayne campus (IU Fort Wayne and Purdue Fort Wayne start in academic year 2018-19).

Financial Operations of the University

The University financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). The University reports on a consolidated basis, with a comprehensive, entity-wide presentation of the University's assets and deferred outflows, liabilities and deferred inflows, net position, revenues, expenses, changes in net position, and cash flows. All significant intra-University transactions are eliminated upon consolidation. The University follows all applicable GASB pronouncements.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. As a component unit of the State, the University is included as a discrete entity in the State of Indiana's Comprehensive Annual Financial Report.

The Statement of Revenues, Expenses and Changes in Net Position of the University, in table format for the fiscal years shown, was as follows:

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

Fiscal Year Ended June 30	2013	2014	2015	2016	2017
Operating revenues					
Student fees	$1,255,936	$1,303,046	$1,357,804	$1,402,098	$1,452,395
Less scholarship allowance	(211,509)	(223,516)	(238,845)	(246,282)	(271,601)
Federal grants and contracts	306,524	290,301	293,846	298,221	320,054
State and local grants and contracts	20,502	19,962	21,104	24,437	19,088
Nongovernmental grants and contracts	139,802	146,211	136,521	145,893	130,447
Sales and services of educational units	61,724	65,374	39,397	41,358	39,422
Other revenue	220,912	222,871	279,096	266,032	274,003
Auxiliary enterprises [1]	352,845	370,992	318,681	324,447	352,214
Total operating revenues	**2,146,736**	**2,195,241**	**2,207,604**	**2,256,204**	**2,316,022**
Operating expenses					
Compensation and benefits	1,781,973	1,850,432	1,877,249	1,949,096	2,009,667
Student financial aid	159,240	152,532	151,579	147,832	144,186
Energy and utilities	70,504	77,361	78,084	73,465	76,121
Travel	47,245	48,840	52,945	54,996	59,967
Supplies and general expense	521,813	564,623	557,070	565,528	617,809
Depreciation and amortization expense	140,766	145,158	146,888	150,707	155,553
Total operating expenses	**2,721,541**	**2,838,946**	**2,863,815**	**2,941,624**	**3,063,303**
Total operating loss	**(574,805)**	**(643,705)**	**(656,211)**	**(685,420)**	**(747,281)**
Nonoperating revenues (expenses)					
State appropriations	509,598	519,417	535,021	545,330	558,111
Grants, contracts, and other	115,250	112,795	113,373	104,976	99,581
Investment income	47,668	95,560	23,694	32,543	82,401
Gifts	100,259	108,305	109,144	112,079	136,468
Interest expense	(30,730)	(36,547)	(34,520)	(31,668)	(33,308)
Net nonoperating revenues	**742,045**	**799,530**	**746,712**	**763,260**	**843,253**
Income before other revenues, expenses, gains, or losses	**167,240**	**155,825**	**90,501**	**77,840**	**95,972**
Capital appropriations	–	25,876	26,794	14,844	31,083
Capital gifts and grants	21,062	19,102	20,870	12,970	23,173
Additions to permanent endowments	1,022	387	240	2	4,026
Total other revenues	**22,084**	**45,365**	**47,904**	**27,816**	**58,282**
Increase in net position	**189,324**	**201,190**	**138,405**	**105,656**	**154,254**
Net position, beginning of year	3,200,674	3,389,998	3,591,188	3,605,629	3,711,285
Adjustment per change in accounting principle [2]			(123,964)		
Net position, beginning of year, as restated			3,467,224		
Net position, end of year	**$3,389,998**	**$3,591,188**	**$3,605,629**	**$3,711,285**	**$3,865,539**

Source: Audited IU Financial Report

[1] Net of scholarship allowance of $24,391; $27,612; $30,086; $32,023; and $35,689 (in thousands) for fiscal years 2013 through 2017, respectively.

[2] Per Audited IU Financial Report for fiscal year 2015, Note 1 Organization and Summary of Significant Accounting Policies, New Accounting Pronouncements: Adoption of New Standard - The GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI) for material items. In accordance with the statement, the University has reported a $123,964,000 change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014, amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into three major categories: (1) Net investment in capital assets consists of the University's investment in capital assets, such as equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt. (2) Restricted net position consists of amounts subject to externally imposed restrictions governing usage and is divided into two sub-categories: (a) Restricted non-expendable funds are subject to externally imposed stipulations that they be retained in perpetuity. These balances represent the corpus (historical value) of University's permanent endowment funds. (b) Restricted expendable funds are available for expenditure by the University, but must be spent according to restrictions imposed by third parties. (3) Unrestricted net position includes amounts institutionally designated or committed to support specific purposes.

The composition of net position for the fiscal years shown was as follows:

Total Net Position
(in thousands of dollars)

Fiscal Year Ended June 30	2013	2014	2015	2016	2017
Net Investment in Capital Assets	$1,779,033	$1,830,756	$1,924,031	$2,048,226	$2,200,168
Restricted	213,279	261,879	298,663	246,074	230,712
Unrestricted [1]	1,397,686	1,498,553	1,382,935	1,416,985	1,434,658
Total Net Position [2]	$3,389,998	$3,591,188	$3,605,629	$3,711,285	$3,865,539
Net Investment in Capital Assets	52.5%	51.0%	53.3%	55.2%	56.9%
Restricted	6.3%	7.3%	8.3%	6.6%	6.0%
Unrestricted	41.2%	41.7%	38.4%	38.2%	37.1%
Total Net Position	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Audited IU Financial Report; Management Discussion and Analysis, Net Position

[1]The University's Unrestricted Net Position is the largest portion of the Available Funds balance. Available Funds are the source of payment for the University's Certificates of Participation, Lease Purchase Obligations, collectively referred to as "Obligations", Consolidated Revenue Bonds, and commercial paper, if any (see "Available Funds" and "Indebtedness of the University").

[2]Per Audited IU Financial Report for fiscal year 2015, Note 1 Organization and Summary of Significant Accounting Policies, New Accounting Pronouncements: Adoption of New Standard - The GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information ("RSI") for material items. In accordance with the statement, the University has reported a $123,964,000 change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014, amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Operating Budget and Related Procedures

The University adopts an operating budget for each fiscal year based on detailed budgets submitted by each of the University's departments. These budgets are reviewed by the President and senior administrative officers before final approval by the 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 Trustees take 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, 2018. Total budgeted revenues and expenditures for campuses which the University has fiscal responsibility are shown.

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

Revenues by Category	**2018**
Student Fees	$1,403,399 [3]
State Appropriation	559,980 [3]
Grants and Contracts	467,250
Sales and Services	14,597 [3]
Auxiliary Enterprises	462,133
Designated and Other Restricted	513,074
Investment	12,265 [3]
Gifts	2,255 [3]
Other	91,424 [3]
Total	$3,526,377
Expenditures by Fund Group [4]	
General	$2,083,920
Designated and Other Restricted	513,074
Subtotal	$2,596,994
Grants and Contracts	467,250 [5]
Auxiliary Enterprises	462,133
Total	$3,526,377
General and Other Restricted Expenditures by Function	
Instruction	$1,137,515
Research and Public Service	42,747
Academic and Student Support	672,841
Physical Plant	221,353
Student Financial Aid	359,907
Institutional Support	162,631
Grants and Contracts	467,250
Auxiliary Enterprises	462,133
Total	$3,526,377

Source: University Budget Office
[1] Excludes Fort Wayne campus
[2] Excludes capital projects, investment income not specifically budgeted as general fund support, most gifts, and scholarship allowance
[3] General fund only
[4] Net of internal transfers
[5] Includes research, service and instruction expenditures

State Appropriations to the University

The University has historically received, and continues to expect to receive, appropriations from the General Assembly. Operating appropriations are disbursed on a monthly basis. Other types of appropriations are generally disbursed on a quarterly or semi-annual basis. These appropriations are applied to the educational and general expenditures and certain capital construction activities of the University. The General Assembly has historically appropriated to the University an amount equal to the annual debt service requirements due on previously approved and outstanding Student Fee Bonds (the "Fee Replacement" appropriations). This appropriation is renewed on a biennial basis because the Constitution of the State prohibits a sitting General Assembly from binding subsequent General Assemblies to the continuation of any funds, including Fee Replacement appropriations. In the 40 plus years of making Fee Replacement appropriations, the State has never failed to fully fund or otherwise provide for a Fee Replacement obligation established by a prior General Assembly. The University expects that the policy of Fee Replacement appropriations will be continued in future years.

For fiscal year 2018, total State operating and restricted special appropriations to the University increased by 1.9% or $9,461,196.

The tables below present state appropriations "As Appropriated" to and "As Received" by the University for the fiscal years shown, including the unrestricted general operating and restricted special appropriations, the Fee Replacement appropriations, and the general maintenance, repair and rehabilitation and capital appropriations.

State Appropriations
(dollars in thousands)

Fiscal Year Ended June 30	2014	2015	2016	2017	2018 (est.)
As Appropriated					
Unrestricted General Operating & Restricted Special	$482,110	$482,110	$498,882	$510,904	$520,366
Fee Replacement [1]	53,035	52,910	46,465	50,221	53,381
General Maintenance, R&R and Capital Cash [2]	25,876	53,036	28,194	28,194	21,229
Total Appropriated	$561,021	$588,056	$573,541	$589,319	$594,976
As Received					
Unrestricted General Operating & Restricted Special [3]	$472,511	$472,510	$508,482	$510,904	$520,366
Fee Replacement [1]	46,857	52,910	46,448	47,156	53,381
General Maintenance, R&R and Capital Cash [4]	25,876	26,794	14,276	27,842	49,836
Total Received/Anticipated to be Received	$545,244	$552,214	$569,206	$585,902	$623,583

Source: Office of the Treasurer; University Budget Office

[1] The variances in "As Appropriated" and "As Received" for Fee Replacement primarily reflects issuance and refunding of student fee bonds.

[2] "As Appropriated" for fiscal year 2015, General Maintenance, R&R and Capital Cash, includes a one-time capital appropriation of $25,000,000 for the 2013-15 biennium which was later repurposed. In fiscal years 2016 and 2017, the "As Appropriated" amount reflects one-half of the 2015-17 biennium amount for General Maintenance, R&R and Capital Cash.

[3] Under "As Received" in fiscal year 2014, Unrestricted General Operating & Restricted Special reflected an actual reduction of $9,599,650 or 2.0%.

[4] "As Received" General Maintenance, R&R and Capital Cash for fiscal year 2018 is based on $28,259,171 received through December 1, 2017 and amounts estimated to be received through the remainder of the fiscal year.

Indiana University Foundation

The Foundation was incorporated in 1936 as a non-profit corporation, organized under the laws of the State, separate and distinct from the University. The Foundation 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.

The Foundation is governed by a Board of Directors, of which three members must be current members of the Trustees and one member must be the President of the University. The assets and income of the Foundation are held and accounted for separately from the funds of the University. As of June 30, 2017, the assets of the Foundation and the assets of the University managed by the Foundation had a fair value of approximately $2,861,379,261, the majority of which consisted of funds restricted for University purposes.

Assets, net assets, and annual income of the Foundation and the annual distributions to the University for the fiscal years shown are set forth below.

Indiana University Foundation Financial Summary
(dollars in thousands)

Fiscal Year Ended June 30	Assets [1]	Net Assets	Total Support and Other Revenue [2]	Total University Grants and Aid [3]
2013	2,277,566	1,903,286	309,273	107,612
2014	2,596,504	2,165,174	433,845	141,231
2015	2,625,027	2,185,976	212,520	151,624
2016	2,601,156	2,125,248	129,528	136,856
2017	2,861,379	2,362,845	445,600	162,974

Source: Indiana University Foundation - The Foundation financial statements as of June 30, 2017 may be obtained at: http://iufoundation.iu.edu/about/financial.html.

[1] Assets that the Foundation held for the University and for University affiliates had corresponding liabilities reported on the Foundation's Statement of Financial Position for each of the fiscal years shown above. The portion of those assets held for the University and for University affiliates, which represent endowment funds managed by the Foundation, total $224,896,799; $265,276,627; $269,459,832; $246,649,991 and $268,807,457 for the fiscal years shown, respectively. Additional information with respect to University endowment funds is contained within the Endowments section below. See "Endowments".

[2] Primary sources of revenue and support are contributions and investment income.

[3] From Note 10, Grants and Aid to the University, excluding foundation programs.

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, research, student support, scholarships, awards, capital projects and special programs.

The following table summarizes the private contributions for each of the fiscal years indicated:

Private Contributions to the Indiana University Foundation

Fiscal Year Ended June 30	Number of Donors	Receipts (dollars in thousands)
2013	120,703	153,538
2014	119,892	158,143
2015	107,979	142,999
2016	113,234	168,125
2017	113,648	230,446

Source: Indiana University Foundation

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, also referred to as "quasi-endowments", are resources which the University, rather than the donor, has determined to retain and manage like endowments. Funds that the University sets aside as quasi-endowments may be unrestricted or restricted as to the purpose.

The fair value of endowments and quasi-endowments held by the University are shown below for the fiscal years indicated.

Endowments and Quasi-Endowments [1]
(dollars in thousands)

Fiscal Year Ended June 30	Fair Value
2013	218,036
2014	254,779
2015	243,458
2016	222,157
2017	246,140 [2]

Source: Office of the Treasurer (unaudited)
[1] In addition to funds currently held by the Foundation, these figures include other University endowments and quasi-endowments, with real estate valued at fair value.
[2] The fair value as of September 30, 2017 was $248,024,700 (unaudited).

Physical Plant

As of June 30, 2017, the various campuses of the University covered a total of 3,034 acres. As of fall 2017, there were 821 buildings on the campuses administered by the University, encompassing 33.7 million gross square feet, of which 20.0 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 administrative activities are assigned 11.0 million square feet; auxiliary enterprise services are assigned 9.0 million square feet.

The following table sets forth the 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]
2013	2,695,502
2014	2,729,895
2015	2,815,801
2016	2,984,285
2017	3,147,159

Source: Audited IU Financial Report
[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 funds.

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. General Assembly approval is required for projects that are to be financed by student fee bonds and projects that are not otherwise authorized by statute.

The following table and information summarizes the capital projects that are currently included in the University's near-term financing plan. The University retains the right to change the projects and/or amounts considered within its capital program without notice.

Planned Capital Projects
(dollars in thousands)

Fiscal Year Ending June 30	Bond Type [2]	Project Name	Campus	Financing Amount
2018 [1]	Lease Purchase Obligations [4]	Academic Health Sciences Building [3]	Bloomington	$ 45,000
2018 [1]	Lease Purchase Obligations [4]	Golf Course Renovation [3]	Bloomington	12,000
2018 [1]	Consolidated Revenue Bonds [4]	Parking Garage/Admin. Building [3]	Bloomington	35,000
2018 [1]	Lease Purchase Obligations [4]	Wilkinson Hall (Volleyball/Wrestling Indoor Arena) [3]	Bloomington	17,000
2018 [1]	Consolidated Revenue Bonds [4]	IUS Housing [3]	Southeast	4,700
2019 [5]	Student Fee Bonds [6]	Old Crescent Renov. Ph. III (Ballantine and Geological Sciences) [3]	Bloomington	78,500
			Total	$192,200

Source: Office of the Treasurer
[1] The timing of the financing is uncertain.
[2] Projects may be interim financed by commercial paper.
[3] These projects have received State Budget Committee approvals.
[4] Payable from certain legally available funds of the University.
[5] The above may not fully reflect all potential financings in FY19. However, Old Crescent Renov. Ph. III is eligible for fee replacement on debt service beginning in FY19, so it is shown.
[6] Secured by a pledge of student fees.

Indebtedness of the University

The University is authorized by various acts of the General Assembly to issue bonds for the purposes of financing the construction of academic and administrative facilities, student housing facilities, student union buildings, athletic facilities, and parking facilities on all campuses 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 principal outstanding as of December 1, 2017 was fixed-rate debt, with no associated swaps.

A summary of the total outstanding bonded indebtedness (unaudited) as of December 1, 2017 follows.

Facilities Indebtedness as of December 1, 2017 [1]
(dollars in thousands)

Type of Issuance	Original Principal	Principal Outstanding	
Student Fee Bonds [2]	$ 551,390	$348,060	3
Consolidated Revenue Bonds [3]	681,295	411,680	
Obligations [3,4]	191,330	176,345	
Total	$1,424,015	$936,265	

Source: Office of the Treasurer
[1] This table does not reflect unamortized bond premium or deferred outflows and reflects bonds with varying Base CUSIP designations.
[2] Secured by a pledge of Student Fees.
[3] Payable from certain legally available funds of the University.
[4] Lease Purchase Obligations and Certificates of Participation.

Sources of Payment for Indebtedness (in alphabetical order by type of issuance)

Certificates of Participation, Lease Purchase Obligations (collectively referred to as "Obligations"), Consolidated Revenue Bonds, and commercial paper, if any, are payable from Available Funds. The language used to define Available Funds varies slightly between the applicable documents for Consolidated Revenue Bonds, commercial paper, if any, and Obligations. However, the calculation for the balance of Available Funds that was reported as of June 30 of each fiscal year is the same, irrespective of the applicable documents.

Consolidated Revenue Bonds and Commercial Paper; Available Funds; Exclusions; Balances. Available Funds are defined in the bond documents for Consolidated Revenue Bonds and commercial paper as (a) the net income of certain facilities, and (b) any and all other funds of the University legally available for transfer to the sinking fund. Available Funds include, but are 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 do not include (i) student fees pledged for other purposes or otherwise restricted by law; (ii) other specifically identified revenues or funds pledged or otherwise dedicated or restricted for other purposes; or (iii) 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 Available Funds as of any particular date. The University retains the right to use Available Funds for the payment of other obligations of the University and to use any or all Available Funds for other lawful corporate purposes of the University. In particular, Available Funds may be used to pay costs of any facilities, financing expenses, amounts payable under any credit facility, and amounts payable (such as termination payments, etc.) under any derivative agreement.

Lease Purchase Obligations and Certificates of Participation Available Funds; Exclusions; Balances. Available Funds are defined in the Leases as any and all monies of the University which are legally available for the payment of any obligations thereunder, including unrestricted operating fund balances, auxiliary fund balances and certain other fund balances of the University, in each case without any priority among any such fund balances and only to the extent not pledged, restricted of specifically authorized for other purposes, now or in the future, or otherwise restricted by law, but excluding mandatory student fees or state appropriations, except to the extent that such funds are expressly authorized for this purpose by the Indiana General Assembly. No assurance can be provided as to the availability or adequacy of any Available Funds as of any date. The University retains the right to use Available Funds for the payment of other obligations of the University and to use any or all Available Funds for other lawful corporate purposes of the University. In particular. Available Funds may be used to pay cost of any facilities, financing expenses, amounts payable under any credit facility and amounts payable (such as termination payments, etc.) under any derivative agreement.

The following table presents certain Available Funds balances as of the end of the fiscal year for each of the past five years.

Available Funds [1]
(dollars in thousands)

Fiscal Year Ended June 30	2013	2014	2015	2016	2017
Indiana University [2,3]	$1,397,686	$1,505,185	$1,382,935	$1,416,985	$1,434,658
Indiana University Foundation	344,487	352,268	365,637	349,219	376,848
Available Funds [1]	$1,742,173	$1,857,453	$1,748,572	$1,766,204	$1,811,506

Sources: Audited IU Financial Report; Indiana University Foundation (unaudited)

[1] Amounts included unrestricted net position of the University as of June 30 of each year. Amounts also include certain quasi-endowment funds held by the 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] Audited IU Financial Report fiscal year 2015, Note 1—Organization and Summary of Significant Accounting Policies, New Accounting Pronouncements: Adoption of New Standard - The GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information ("RSI") for material items. In accordance with the statement, the University has reported a $123,964,000 change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014, amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

[3] Unrestricted Net Position is the largest component of Available Funds. See Financial Operations of the University, Net Position

Student Fee Revenues Student Fee Bonds are payable from Student Fees. The total amount and composition of student fee revenues of the University, including instructional fees and other fees charged, for each of the last five fiscal years follow.

Student Fee Revenues [1]
(dollars in thousands)

Fiscal Year Ended June 30	2013	2014	2015	2016	2017
Student Fees Per Student Fee Bonds Indenture	$1,255,936	$1,303,046	$1,357,804	$1,402,098	$1,452,395
Student Fees Per Financial Report					
Gross Student Fees	$1,255,936	$1,303,046	$1,357,804	$1,402,098	$1,452,395
Less Scholarship Allowance	(211,509)	(223,516)	(238,845)	(246,282)	(271,601)
Student Fees Net of Scholarship Allowance [2]	$1,044,427	$1,079,530	$1,118,959	$1,155,816	$1,180,794

Source: Audited IU Financial Report

[1] 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.

[2] See "Financial Operations of the University - Statement of Revenues, Expenses and Changes in Net Position".

Information from Financial Report

The following sections from "Related Organization" to "Required Supplementary Information" are taken from the accompanying notes and Required Supplementary Information which are part of the Indiana University Financial Report 2016-17 with the same titles.

Related Organization

The University is a major beneficiary of the Riley Children's Foundation of which a majority of the board of directors is appointed by, or serve by virtue of position with, Indiana University. Riley Children's Foundation net assets were $359,741,000 and $337,715,000 at June 30, 2017 and 2016, respectively. Riley Children's Foundation net assets are not included in the financial statements of the University.

Risk Management

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

The University has three health care plans for full-time appointed 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 12.5% of the paid self-funded claims during the fiscal year, and totals $25,150,00 and $29,866,000 at June 30, 2017 and 2016, respectively. In addition, a potential claims fluctuation liability of $9,876,000 has been recorded at June 30, 2017 and 2016.

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

(dollar amounts presented in thousands)

Fiscal Years	Beginning Balances	Claims Incurred	Claims Paid	Ending Balances
2016	$ 28,637	$ 212,588	$ 211,359	$ 29,866
2017	29,866	205,733	210,449	25,150

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

The University also provides health care plans for international students, graduate assistants, fellowship recipients, and medical residents. These plans consist of fully insured and self-funded plans, along with a stop/loss provision. The University has recorded a liability for incurred but unpaid claims for University-sponsored, self-funded health care plans in the amount of $1,656,000 and $2,614,000 at June 30, 2017 and 2016. These plans are funded by direct charges to the associated schools and/or departments.

Retirement Plans

The University provided retirement plan coverage to 19,220 and 18,929 active employees, as of June 30, 2017 and June 30, 2016, respectively, in addition to contributing to the Federal Insurance Contributions Act ("FICA") as required by law.

Retirement and Savings Plan All Support and Service employees with at least a 50% full-time equivalent ("FTE") appointment and Temporary with Retirement employees scheduled to work at least 1,000 hours or more in a calendar year hired on or after July 1, 2013, participate in the Retirement and Savings Plan. This is a defined contribution plan under IRC 401(a). The University contributed $3,759,000 during fiscal year ended June 30, 2017, and $2,567,000 during fiscal year ended June 30, 2016, to TIAA-CREF for the plan. The University contributed $740,000 during fiscal year ended June 30, 2017, and $444,000 during fiscal year ended June 30, 2016, to Fidelity Investments for the plan. Under this plan, 1,995 and 1,759 employees directed University contributions to TIAA-CREF as of June 30, 2017 and 2016, respectively. In addition, 424 and 317 employees directed University contributions to Fidelity Investments as of June 30, 2017 and 2016, respectively.

Academic and Professional Staff Employees Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b). The University contributed $59,540,000 during fiscal year ended June 30, 2017, and $59,803,000 during fiscal year ended June 30, 2016, to TIAA-CREF for the IU Retirement Plan. The University contributed $44,973,000 during fiscal year ended June 30, 2017, and $39,408,000, during fiscal year ended June 30, 2016, to Fidelity Investments for the IU Retirement Plan. Under this plan, 7,137 and 7,194 employees directed University contributions to TIAA-CREF as of June 30, 2017 and 2016, respectively. In addition, 7,265 and 6,786 employees directed University contributions to Fidelity Investments as of June 30, 2017 and 2016, respectively.

In addition to the above, the University provides early retirement benefits to full-time appointed academic and professional staff employees who were in positions Grade 16 and above on or before June 30, 1999. There were 856 and 901 active employees on June 30, 2017 and 2016, 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 $2,277,000 and $1,951,000 to IUSERP during fiscal years ended June 30, 2017 and 2016, respectively. The same class of employees covered by the IU Retirement Plan 15% Level of Contributions on or before July 14, 1988, is covered by the IU 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous University service. During the fiscal year ended June 30, 2017, the University made total payments of $24,630,000 to 250 individuals receiving IU 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2016, the University made total payments of $27,507,000 to 285 individuals receiving IU 18/20 Retirement Plan payments.

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 participants' lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. There were 78 and 79 employees eligible to participate as of June 30, 2017 and 2016, respectively. University contributions related to this plan totaled $1,192,000 and $1,061,000, for fiscal years ended June 30, 2017 and 2016, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution. As of June 30, 2017 and 2016, the net pension liability was $6,656,000 and $4,829,000, respectively.

Indiana Public Employees' Retirement Fund The University contributes to the Indiana Public Employees' Retirement Fund ("PERF"), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System ("INPRS") administers the cost-sharing, multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. Support, technical, and service employees with at least a 50% full-time equivalent ("FTE") appointment hired prior to July 1, 2013, participate in the PERF plan. There were 3,280 and 3,715 active University employees covered by this retirement plan as of June 30, 2017 and 2016, respectively. State statutes authorize the University to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11 and are based on actuarial investigation and valuation. Per IC 5-10.2-4-4, key elements of the pension formula include years of PERF creditable service multiplied by average annual compensation multiplied by 1.1%, resulting in an annual lifetime benefit. Cost of living adjustments ("COLA") for members in pay status are not guaranteed by statute, but may be granted by the Indiana General Assembly on an ad hoc basis. Refunds of employee contributions are included in total benefit payments. Participants must have at least ten years of PERF creditable service to have a vested right to the pension benefit. The annuity savings account consists of contributions set by state statute at 3.0% of compensation plus the earnings credited to members' accounts. Participants are 100% vested from inception in the annuity savings account. The University has elected to make the contributions for the annuity savings account on behalf of the members. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The financial report and corresponding fiduciary net position is prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles ("GAAP"). INPRS applies all applicable GASB pronouncements in accounting for its operations. Investments of the pension plan are valued as follows: Pooled and non-pooled investments are reported at fair value. Short-term investments are reported at cost. Fixed income and equity securities are valued based on published market prices, quotations from national security exchanges, or modeling techniques that approximate a fair value for securities that are not traded on a national exchange. Alternative investments are valued based on quoted market prices or using estimates of fair value in the absence of readily determinable public market values. Derivative instruments are marked to market daily. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-888-286-3544, or by reviewing the Annual Report online at www.in.gov/inprs/annualreports.htm.

Required and actual contributions made by the University totaled $18,802,000 and $19,712,000 for fiscal years ended June 30, 2017 and 2016, respectively. This represented an 11.2% University pension benefit contribution for fiscal years ended June 30, 2017 and 2016, and a 3.0% University contribution for the annuity savings account provisions each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions Indiana Public Employees' Retirement Fund. At June 30, 2017, the University reported a liability of $95,689,000 for its proportionate share of the net pension liability, as compared to $98,279,000 for the year ended June 30, 2016. The June 30, 2017, net pension liability of $95,689,000 at the measurement date was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, which used update procedures to roll forward the estimated liability to June 30, 2016. The University's proportion of the net pension liability was based on wages reported by the University relative to the collective wages of the plan. This basis measures the proportionate relationship of an employer to all employers and is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2016, the University's proportion was 2.11%, a decrease of 1.19 percentage points from its proportion measured as of June 30, 2015, which was 3.30%. Effective July 1, 2015, Indiana Code 5-10.2-2-21 was amended concerning pensions. The legislation imposes a requirement on employers that stopped enrolling new employees in the fund to make a payment in an amount necessary to fund the employer's share of the unfunded liability attributable to the earned benefit of the employer's PERF covered employees. At June 30, 2016, the University's net pension liability of $134,565,000 at the measurement date was reduced by $36,286,000 to $98,279,000 which reflects the payment of the obligation related to Indiana Code 5-10.2-2-21. A payment of $3,630,000 was made during the 2016 fiscal year, with the remaining balance of $32,656,000, paid in fiscal year 2017, reducing accounts payable. Pension expense of the University as of June 30, 2017 and 2016, was $12,913,000 and $17,689,000, respectively.

– Remainder of Page Intentionally Left Blank –

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollars in thousands)

PERF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,144	$ 177
Changes of assumptions	4,222	–
Net difference between projected and actual earnings on pension plan investments	15,662	–
Changes in proportion and differences between University contributions and proportionate share of contributions	27,564	38,043
University contributions subsequent to the measurement date	14,705	–
Total	$ 64,297	$ 38,220

Deferred outflows of resources in the amount of $14,705,000 related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollars in thousands)

PERF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,776	$ 278
Changes of Assumptions	11,375	–
Net difference between projected and actual earnings on pension plan investments	10,034	–
Changes in proportion and differences between University contributions and proportionate share of contributions	563	19,465
University contributions subsequent to the measurement date	15,545	–
Total	$ 43,293	$ 19,743

– Remainder of Page Intentionally Left Blank –

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

(dollars in thousands)

Fiscal Year Ended June 30	PERF
2017	$ (461)
2018	(2,158)
2019	(6,206)
2020	(2,547)
2021	–
Thereafter	–

Actuarial Assumptions. The total pension liability as of June 30, 2016, and June 30, 2015, based on the results of actuarial valuation dates of June 30, 2015, and June 30, 2014, and rolled forward, respectively, were determined using the following actuarial assumptions, which were applied to all periods included in the measurement:

PERF		
	Measurement date as of June 30, 2015	**Measurement date as of June 30, 2016**
Cost of living	1.0%	1.0%
Inflation	2.25% average	2.25% average
Future salary	0.25% to 2.0%	0.25% to 2.0%
Investment rate of return	6.75%, net of pension plan investment expense	6.75%, net of pension plan investment expense
Mortality rates	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables

The actuarial assumptions used in the valuations of June 30, 2016, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies completed in April 2015, which reflected the experience period from July 1, 2010, through June 30, 2014. The valuations of June 30, 2016, incorporate member census data as of June 30, 2015, adjusted for certain activity during fiscal year 2016. Standard actuarial techniques were used to roll forward valuation results over one year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

– Remainder of Page Intentionally Left Blank –

PERF				
	Measurement date as of June 30, 2015		Measurement date as of June 30, 2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	22.5%	5.3%	22.0%	5.7%
Private Equity	10.0%	5.6%	10.0%	6.2%
Fixed Income – Ex Inflation-Linked[1]	22.0%	2.1%	24.0%	2.7%
Fixed Income – Inflation-Linked	10.0%	0.7%	7.0%	0.7%
Commodities	8.0%	2.0%	8.0%	2.0%
Real Estate	7.5%	3.0%	7.0%	2.7%
Absolute Return	10.0%	3.9%	10.0%	4.0%
Risk Parity	10.0%	5.0%	12.0%	5.0%
Total	**100.0%**		**100.0%**	

[1] Includes Cash & Cash Equivalents

Discount rate. The discount rate used to measure the total pension liability was 6.75% for PERF at June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

(dollars in thousands)

PERF			
Sensitivity of Net Pension Liability	**1% Decrease (5.75%)**	**Current Discount Rate (6.75%)**	**1% Increase (7.75%)**
June 30, 2016	$198,496	$134,565	$81,492
June 30, 2017	$137,432	$ 95,689	$60,994

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

Payable to the Pension Plan The University reported a payable of $579,000 at June 30, 2017, and $1,339,000 at June 30, 2016, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2017, and June 30, 2016, respectively.

Postemployment Benefits

Plan Description 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 ("GASB 45"). 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. The 18/20 Plan was adopted by the Trustees of Indiana University ("Trustees"). The University provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The University provides retiree life insurance benefits in the amount of $6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the Trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to early retirement incentive plans, approved by executive management in fiscal year 2011 and 2014, which include five years of annual contributions to a health reimbursement account.

Funding Policy The contribution requirements of plan members and the University are established and may be amended by the Trustees. The University contribution to the 18/20 Plan and retiree life insurance is based on pay-as-you-go financing requirements. Plan members do not make contributions. The medical plans are self-funded and each plan's premiums are updated annually based on actual claims. Retirees receiving medical benefits paid $1,532,000 and $2,301,000 in premiums in the fiscal years ended June 30, 2017 and 2016, respectively. The University contributed $40,370,000 and $48,546,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2017 and 2016, 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 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 years ended June 30, 2017 and 2016, respectively:

Annual Other Postemployment Benefit Plans Cost
(dollars in thousands)

Fiscal Year Ended June 30	2016	2017
Annual OPEB cost	$ 51,514	$ 41,109
Less Employer contribution	(48,546)	(40,370)
Increase in OPEB obligation	2,968	739
Net OPEB obligation, beginning of year	33,567	36,565
Net OPEB obligation, end of year	$ 36,565	$ 37,304
Percentage of annual OPEB cost contributed	94.24%	98.20%

Source: Audited IU Financial Report

Funded Status and Funding Progress The funding progress of the plan as of the most recent and preceding valuation date are as follows:

– Remainder of Page Intentionally Left Blank –

Other Postemployment Benefit Plans Funded Status and Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	–	$294,446	$294,446	0.0%	$1,135,294	25.9%
July 1, 2016	–	244,371	244,371	0.0%	1,169,353	20.9%

Source: Audited IU Financial Report

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 the 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. See "Required Supplementary Information".

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the University and 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 the 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 actuarial valuation of June 30, 2016. The actuarial assumptions include a 4.5% investment rate of return, which is a blended rate of (1) the expected long-term investment returns on plan assets and (2) the University's investments which is calculated based on the funded level of the Plan at June 30, 2017; and an annual healthcare cost trend rate that ranges from 8.5% in fiscal year 2018 to 5.0% in fiscal year 2025. The rate includes a 3% inflation assumption. The Unfunded Actuarial Accrued Liability is being amortized over 25 years using level dollar amounts on an open group basis.

– Remainder of Page Intentionally Left Blank –

Required Supplementary Information

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

	Measurement Date as of June 30, 2014	Measurement Date as of June 30, 2015	Measurement Date as of June 30, 2016
University's proportion of the net pension liability	3.85%	3.30%	2.11%
University's proportionate share of the net pension liability	$101,229	$134,565	$95,689
University's covered-employee payroll	$188,067	$158,252	$101,047
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.82%	85.03%	94.70%
Plan fiduciary net position as a percentage of the total pension liability	84.30%	77.30%	75.30%

Source: Audited IU Financial Report
The amounts presented for each fiscal year were determined as of June 30.

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

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

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Contractually required contribution	$21,339	$19,769	$18,030
Contributions in relations to the contractually required contribution	$(21,339)	$(19,769)	$(18,030)
Contribution deficiency	–	–	–
University's covered-employee payroll	$157,743	$139,962	$129,027
Contributions as a percentage of covered-employee payroll	13.53%	14.12%	13.97%

Source: Audited IU Financial Report
The amounts presented for each fiscal year were determined as of June 30.
Changes of Benefit Terms. None
Changes of Assumptions. None

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

– Remainder of Page Intentionally Left Blank –

Schedule of Funding Progress for Other Postemployment Benefit Plans
(dollars in thousands)

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 Percentage of Covered Payroll ((b-a)/c)
July 1, 2014	–	$336,524	$336,524	0.0%	$1,073,719	31.3%
July 1, 2015	–	294,446	294,446	0.0%	1,135,294	25.9%
July 1, 2016 [1]	–	244,371	244,371	0.0%	1,169,353	20.9%

Source: Audited IU Financial Report

[1] Adjustments have been made to the Actuarial Accrued Liability, normal cost, and expected benefit payments for actual provision and premium changes from 2015-16 to 2016-17, which caused a significant decrease in the University's liabilities. Effective January 1, 2017, the University restricted access to retiree health plan benefits exclusively to the PPO HDHP plan. Retirees are required to enroll in this plan immediately after becoming retired or after their COBRA eligibility ends.

Regarding the Agreement and Plan of Realignment for Indiana University Purdue University Fort Wayne

In June 2017, the Indiana University Boards of Trustees and the Purdue University Board of Trustees approved agreements to realign the Indiana University-Purdue University Fort Wayne campus to better provide for educational interests and economic growth in northeast Indiana. This realignment reaffirms IU's and Purdue's commitment to the Fort Wayne community and allows each university to focus on its areas of expertise. This realignment creates two separate universities: Indiana University Fort Wayne and Purdue University Fort Wayne. Both universities will be located on the current Fort Wayne campus and will share building space. The agreements allow for a one-year transition period, with the realignment taking effect on July 1, 2018.

IU Fort Wayne will manage the health science programs on the Fort Wayne campus, including admission to those programs. Purdue will oversee all other programs on campus, as well as providing administrative services and general education classes to IU Fort Wayne students. At IU Fort Wayne, IU's School of Medicine, School of Nursing, School of Dentistry, School of Social Work, and Department of Medical Imaging and Radiologic Sciences will work together to create a unique health sciences environment. Indiana University will offer all health sciences degrees at Fort Wayne, including those currently offered by Purdue. All full-time and part-time faculty will be offered employment by IU or Purdue as part of the agreement. The realignment plan and agreement address the transfer of faculty as some will move to IU and others will move to Purdue as part of the transfer of academic programs. Some programs will be cut or transferred as part of the realignment and restructuring.

The terms and conditions and the effective date of implementation of realignment on July 1, 2018, are dependent upon several conditions precedent that must be met prior to that date. The requested amount of state appropriations for both IU Fort Wayne Health Sciences costs and ongoing operations were budgeted and approved by the Indiana General Assembly to support costs of the realignment and the academic programming. The funding appropriations related to the IU Fort Wayne Health Sciences costs were received. Monthly operating appropriations were budgeted for fiscal year ending 2019. Both Boards of Trustees of Indiana University and Purdue University approved the main agreement related to the management and operations of the Fort Wayne campus necessary for successful delivery of IU's and Purdue's the Academic Missions with multiple ancillary agreements remaining.

The successful transition continues to be dependent on IU and Purdue obtaining any and all accreditations, authorizations, consents and approvals from the Higher Learning Commission and the U.S. Department of Education, if applicable. Regarding Indiana University Fort Wayne, the Higher Learning Commission of the North Central Association of Colleges and Schools ("Commission"), an independent organization recognized by the U.S. Department of Education and one of six regional institutional accreditors in the United States, must approve of the major institutional changes that result from the realignment. Change applications were submitted to the Commission by July 31, 2017. The Commission will schedule a site visit to the Fort Wayne campus in fall 2017. They will vote on approval at their February 2018 meeting, with a decision expected in March 2018.

Exhibit A –Audited Financial Statements for the Fiscal Year Ended June 30, 2017

Indiana University

Annual Financial Report 2016–2017

Table of Contents

Indiana University Financial Report 2016–2017

On the Cover: A bronze sculpture of Bloomington's famous composer and song-writer Hoagy Carmichael, performing at his grand piano outside the IU Cinema on the Bloomington campus.

Message from the President

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

Dear Governor Holcomb:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2016-17 Financial Report.

In 2020, Indiana University will celebrate its 200th anniversary. Indiana University was founded on January 20, 1820, on the promise to the people of the newly established state of Indiana that the civic, cultural, social, and economic life of the state and its citizens would be expanded and enriched by an exceptional public institution of higher education.

As a public institution, IU is deeply committed to fulfilling its obligation to the people of Indiana to provide a first-rate education that is affordable, accessible, innovative, and relevant. IU is also proud to serve as one of the most powerful forces for economic development in our state.

Even as we work diligently to preserve IU's great traditions and unmatched heritage, we continue to engage in a comprehensive effort to enhance the character of our campuses, ensure that they remain magnets for the best and most deserving students, and elevate IU's ever-growing reputation as a truly world-class institution.

AN AFFORDABLE AND CLEAR PATH TO HIGHER EDUCATION, PROVIDING THE SKILLS AND EXPERIENCE STUDENTS NEED FOR SUCCESS

Along with Indiana's other colleges and universities, IU is fully engaged in responding to the call to ensure an affordable and clear path to higher education, generate greater numbers of Hoosier graduates, and ensure they leave our schools with the skills and experiences they need to succeed in the workforce.

For Indiana to remain viable in today's ultra-competitive marketplace, it is critical that we fill our talent pipeline with highly skilled, smart, flexible, and experienced workers who will thrive in an ever-evolving economy. We need those employees to possess global cultural understanding and experience and have the ability to work productively with people from different cultures and traditions. And we need to continue working hard to keep our best and brightest in our state after they graduate.

By almost any measure, IU is fulfilling its promise to our state.

In May 2017, a record number of more than 21,000 students received IU degrees during commencement ceremonies across our state. IU's class of 2017 represented the largest group of graduates to be produced by any institution in Indiana—in fact almost as large as the next two combined—and it was also one of its most distinguished. The class included Wells Scholars, Goldwater Scholars, a Boren Scholar, and a Rhodes Scholar.

Viewed in terms of sheer size, the class of 2017 shows again how IU is truly the state's higher education powerhouse and reflects the enormous value Hoosiers continue to place on an IU education. These graduates also serve as a powerful reminder of IU's huge impact on the health, social and cultural fabric, and economic vitality of the Hoosier state.

This fall, IU's Bloomington and Indianapolis campuses welcomed their largest, brightest, and most diverse freshman classes ever. With this year's student body numbering more than 112,000—and given that 70 percent of currently enrolled degree-seeking undergraduates are in-state students—IU will be by far the largest producer of Hoosier graduates annually in Indiana for the foreseeable future.

Across the state, IU is preparing our students to meet their fullest potential, make major contributions to the economic development and quality of life in the communities in which they live and work, and find solutions to the most important problems facing our planet.

IU students are also being exposed to what it will take to meet the needs of our employers—particularly in those strategic sectors of the state's economy, such as information technology, public health, and the life sciences—sectors we know will be vital to the growth of our state. But the state of Indiana simply cannot afford to be a net exporter of talent, which is why IU has become more strategic, deliberate, and intentional in aligning its academic offerings to new and emerging areas of importance to students, as well as Indiana employers.

To this end, IU has recently established a large number of new schools and academic programs—in such key disciplines as art and design, international studies, media, philanthropy, and public health—all designed to meet the evolving needs of our students and all based on a strong liberal arts foundation that has made American higher education the best and most admired in the world. Last year, we launched a new engineering program at IU Bloomington, and in 2018 we will begin offering a master of architecture degree in the campus's new School of Art and Design that will have its primary focus on Columbus, an internationally recognized center for architecture. The architecture degree also anticipates a major state employment need. According to the Indiana Department of Workforce Development, employment of architects is projected to grow more than 20 percent through 2022.

LEADING THE NATION IN STUDENT DEBT REDUCTION

At the same time that IU is graduating more students and producing more on-time graduates than ever, we have placed an even greater priority on ensuring that students leave IU with as little debt as possible. In recent years, the university has instituted a number of highly successful programs to keep the cost of attendance as low as possible while also educating our students on the implications of incurring debt.

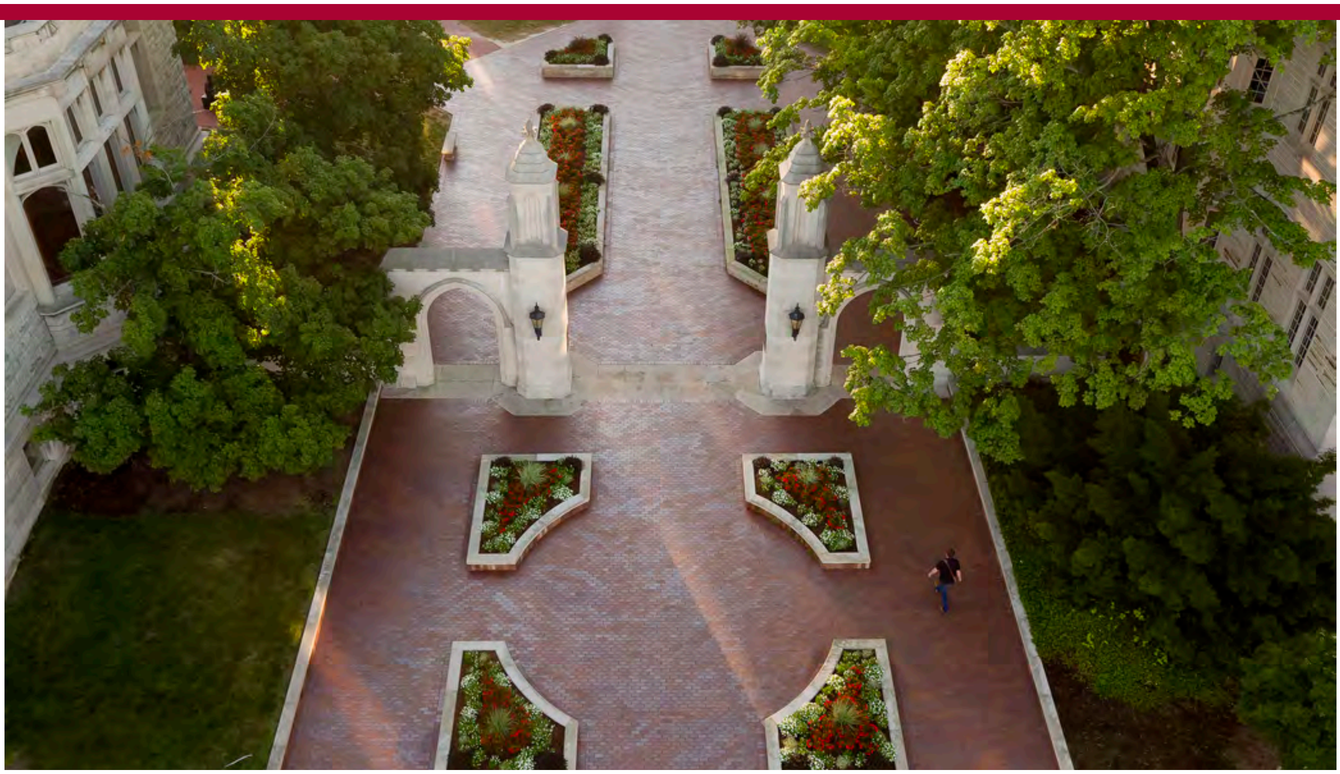
Indiana resident undergraduates attending the Bloomington campus benefitted from a tuition freeze during the last two-year tuition cycle. And students on all other campuses experienced only very modest increases during the last two years.

While we make every effort to keep tuition costs as low as possible, for some students, taking on debt is the only way to achieve their dream of a college education. Hence, we have a responsibility to help those students keep their debt load to a minimum and better understand the implications of borrowing.

Since we began IU's comprehensive financial literacy program—and adopted more vigorous policies to increase student financial assistance and promote on-time graduation—borrowing by IU students has been reduced by nearly $100 million in four years. Total student borrowing and federal loans have decreased every year since we began our efforts. Furthermore, 45 percent of our bachelor's degree recipients will graduate with no student loan debt—compared with less than 30 percent nationally—and 80 percent will graduate with a balance below the national average.

These are remarkable figures and they clearly underscore the fact that Indiana University leads the nation in the area of student debt reduction—an area that is of great concern nationally and one that is of enormous demonstrable benefit to our students. There is, of course, more work to be done to control the cost of education, further reduce student debt, and help more students graduate on time. But our financial literacy program and other initiatives, which have been widely praised and adopted by other colleges and universities, clearly have us on the right path moving forward.

Initiatives such as these, when coupled with a $37 million increase in institutional gift aid for undergraduate students over the last four years across the IU campuses—a 28 percent increase made possible,



Sample Gates, Bloomington

in large part, by the extraordinary generosity of our donors—have kept the average net cost of an IU education low compared to our peers. These institutional aid programs address affordability and completion.

FINDING SOLUTIONS TO THE GRAND CHALLENGES OF OUR TIME

Another major component of Indiana University's heritage is its longstanding status as a national leader in research and the home of scholars of outstanding international recognition.

As part of the *Bicentennial Strategic Plan for Indiana University,* a sweeping set of vital goals approved by the IU Board of Trustees in 2014, the university has massively expanded its commitment to direct support of IU researchers. Two years ago, we announced the most ambitious program of research support in the university's history—the Grand Challenges Program. This program proposes to invest, in the years leading up to IU's bicentennial, $300 million in three to five major multi-investigator, multidisciplinary research projects aimed at finding solutions to the "grand challenges" of our time—solutions that will provide major improvements in the quality of life for the citizens of the state of Indiana who have helped support IU for nearly 200 years.

In June 2016, I was very pleased to announce that the Precision Health Initiative was selected as the recipient of the first round of funding. Led by Principal Investigator Dr. Anantha Shekhar of the IU School of Medicine, the Precision Health Initiative will seek to cure at least one cancer and one childhood disease, as well as find ways to prevent one chronic illness and one neurodegenerative disease.

In May 2017, we announced the second project funded through our Grand Challenges Program—Prepared for Environmental Change. This project, which is backed by a broad, bipartisan coalition of government, business, nonprofit, and community leaders, will help Indiana communities track environmental change and measure their preparedness for responding to immediate challenges and long-term effects with targeted and strategic investments in agriculture, industry, infrastructure, and public health.

IU is also working closely with communities around the state to find solutions to challenges that include poverty, lack of economic opportunity, and poor educational and health outcomes, including the growing crisis of opioid addiction that is rapidly becoming one of the nation's most severe public health problems.

INTERNATIONAL ENGAGEMENT

At IU, we are especially proud of the leading role we continue to play in our state's and also America's international engagement.

Of all that comprises an IU education, international literacy and experience ranks at the very top. We live in increasingly challenging times, when the need to understand and engage with the broader world is at its most acute and urgent. The world in which our students will live will require more, not less, knowledge about the world.

IU's extensive international engagement efforts include:

- requiring a mandatory international component for every student as part of his or her IU education;
- doubling, over the last decade, the number of IU students who study abroad. IU Bloomington now ranks 10th in the nation—out of about 1,200 universities—in terms of the number of students who study abroad. About a third of IU Bloomington students have studied abroad by the time they graduate;
- welcoming a large and diverse international student body who now come from over 150 countries. We currently have around 9,000 international students enrolled across the entire university. IU Bloomington ranks 16th in the nation—again, out of about 1,200 universities—in terms of the number of international students enrolled;
- building strong and active partnerships (now numbering around 200) with the best foreign universities in the world;
- building on IU's formidable resources in language study (we teach over 70 foreign languages, more than any other university in the country) and in area studies, to become one of the nation's pre-eminent centers of research and scholarship in foreign and international affairs, which we are rapidly achieving through our new School of Global and International Studies;
- supporting and encouraging our faculty from all disciplines in engaging internationally; and
- growing the IU Global Gateway Network, which now includes offices in Beijing, Berlin and New Delhi, to help focus and concentrate our activities in key regions of the world.

CONCLUSION

I am proud to say that IU remains steadfastly committed to the educational and service missions that have made it such a positive force in the life of our state, nation, and world. And we have embraced thoughtful and strategic change that both builds upon IU's longstanding strengths and traditions and bolsters our future.

We have worked together to establish learning environments on all of our campuses that give our students every opportunity to succeed. We have re-envisioned our schools and programs so they provide a relevant education of lasting value. We have ensured that an IU education remains affordable, and we have adopted practices and policies that encourage our students to persist to graduation and complete their degrees on time.

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

As we approach Indiana University's bicentennial, we must commit to strengthening our powerful partnership with the state of Indiana and its citizens and to extending that partnership over the next 200 years.

Yours sincerely,

Michael A. McRobbie
President

Message from the Vice President and Chief Financial Officer

Dear President McRobbie and the Trustees of Indiana University:

I am pleased to present to you the Indiana University Financial Report for the fiscal year ended June 30, 2017. The financial statements have been prepared in accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) principles. The accompanying notes to the financial statements and the Management's Discussion and Analysis are integral parts of the financial statements.

The statements are intended to provide a summary of the flow of the economic resources of the university during the fiscal year covering the period of July 1, 2016, through June 30, 2017. The statements report the university's financial position at June 30, 2017, with comparative data from the previous fiscal year. In addition, financial results of the Indiana University Foundation are incorporated in the 2016-2017 financial report.

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

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

For the fiscal year ending June 30, 2017, the institution had an increase in net position of $154,254,000, or 4%. This positive financial performance was achieved while focusing on affordability. Undergraduate tuition and fee rate increases in 2017 and 2016 were the lowest in more than 35 years, ranging from a tuition freeze for Indiana residents on the Bloomington campus to a 1.65% increase for residents on the IUPUI campus. Regional campus' undergraduate tuition and fee rates increased an average of 1.65%. Complementing these moderate tuition increases was continued financial support for our students,

with $415,787,000 provided in financial assistance.

Affordability is also maintained through the continued financial support of donors and the State, combined with the fiscal stewardship of those across the university who have allowed us to continue to invest in the programs and facilities required to educate and prepare students to contribute to the state, the nation, and the world. In fiscal 2017, state support for university operations was $558,111,000, while support for capital projects was $31,083,000. Simultaneously, donor support brought into the university was $136,468,000.

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

On behalf of all those responsible for the fiscal stewardship of Indiana University's resources, I submit the Indiana University Financial Report for the fiscal year ending June 30, 2017.

John A. Sejdinaj
Vice President and Chief Financial Officer

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

Report on the Financial Statements

We have audited the financial statements of the business-type activities and the discretely presented component unit of Indiana University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

INDEPENDENT AUDITOR'S REPORT
(Continued)

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 25, 2017

INTRODUCTION

The following discussion and analysis provides an overview of the consolidated financial position and activities of Indiana University (the "university") for the fiscal year ended June 30, 2017, with selected comparative information for the years ended June 30, 2016 and 2015. This discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and accompanying footnotes.

The university's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The university's financial statements, related footnote disclosures, and discussion and analysis have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

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

Bloomington campus

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

ABOUT THE FINANCIAL STATEMENTS

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

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

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

STATEMENT OF NET POSITION

A comparison of the university's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2017, 2016, and 2015, is summarized as follows:

Condensed Statement Of Net Position			
(in thousands of dollars)	*June 30, 2017*	*June 30, 2016*	*June 30, 2015*
Current assets	$ 649,905	$ 681,215	$ 739,585
Capital assets, net	3,147,159	2,984,285	2,815,801
Other assets	1,677,406	1,645,925	1,691,873
Total assets	**5,474,470**	**5,311,425**	**5,247,259**
Deferred outflows of resources	**86,345**	**67,186**	**41,280**
Current liabilities	388,257	416,626	384,327
Noncurrent liabilities	1,268,799	1,230,957	1,268,297
Total liabilities	**1,657,056**	**1,647,583**	**1,652,624**
Deferred inflows of resources	**38,220**	**19,743**	**30,286**
Net investment in capital assets	2,200,168	2,048,226	1,924,031
Restricted net position	230,713	246,074	298,663
Unrestricted net position	1,434,658	1,416,985	1,382,935
Total net position	**$ 3,865,539**	**$ 3,711,285**	**$ 3,605,629**

ASSETS

Current Assets

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

Current assets decreased $31,310,000, or 5%, and $58,370,000, or 8%, in 2017 and 2016, respectively. The decrease in 2017 is primarily attributable to a decrease of $51,263,000, or 18%, in cash and cash equivalents, due in large part to a payment of $32,656,000 made to the Indiana Public Employees' Retirement Fund to reduce the university's net pension liability (see Note 12, Retirement Plans). The change in 2016 reflects the use of cash and cash equivalents related to spending of invested bond proceeds on capital projects, in contrast to the net investment of bond proceeds in 2015. Net accounts receivable increased $22,600,000, or 18%, and decreased $16,636,000, or 12%, in 2017 and 2016, respectively. The increase in 2017 resulted from natural fluctuations in student tuition and auxiliary revenue cycles, along with the timing of the receipt of gifts. The decrease in 2016 was primarily due to a state operating appropriation receivable of $9,386,000 at June 30, 2015, which was received in July 2015.

Noncurrent Assets

Major components of noncurrent assets are endowment and operating investments and capital assets, net of accumulated depreciation. Noncurrent assets increased $194,355,000, or 4%, and $122,536,000, or 3%, in 2017 and 2016, respectively. The fair value of the university's noncurrent investments increased $31,337,000, or 2%, and decreased $45,301,000, or 3%, in 2017 and 2016, respectively. The increase in 2017 was a result of market value changes during the year in the university's operating and endowment investments. The decrease in 2016 was largely due to tactical asset reallocation to short-term investments and cash equivalents as of June 30, 2016.

The objective of the university's investment policy with respect to its operating funds is to adequately provide for the daily liquidity needs of the university while maximizing the opportunity to generate yield on investments. Endowment funds are managed by the IU Foundation using a disciplined, consistent, and diversified approach according to the policies and strategic direction of the Foundation Investment Committee and the laws of the State of Indiana.

Capital Assets

The university's investment in capital assets, net of depreciation, which includes land, art and museum objects, infrastructure, equipment, and buildings, grew $162,874,000, or 5%, and $168,484,000, or 6%, in 2017 and 2016, respectively. Additions to capital assets are comprised of new construction and renovations, as well as major investments in equipment and information technology. Construction in progress, which totaled $228,213,000 at June 30, 2017, and $224,336,000 at June 30, 2016, includes academic and administrative building projects, student residence hall improvements, and construction of research facilities.

In accordance with the university's master plan and *Bicentennial Strategic Plan,* the university is committed to building for excellence to ensure that the university has the new and renovated physical facilities and infrastructure to excel, "while recognizing the importance of historical stewardship, an environment that reflects IU's values, and the imperative to meet future needs." Use of these facilities provides faculty, staff, and students with new learning and research spaces, while encouraging efficient management and reuse of existing space.

Key projects placed in service during 2017 include the following:

The Paul H. O'Neill Graduate Center is now housed in an addition to the School of Public and Environmental Affairs (SPEA) on the Bloomington campus. The $14,700,000 addition was partially funded by generous gifts. The 34,000-square-foot facility now houses SPEA's top-ranked graduate programs with added classroom and office space, including collaboration spaces supported by new technology; lounges for graduate students, undergraduates, faculty and staff; a spectacular stairway featuring three floors of windows; limestone accent walls; a 2,300-square-foot student commons; and floor to ceiling views of the Herman B Wells Library and the arboretum.

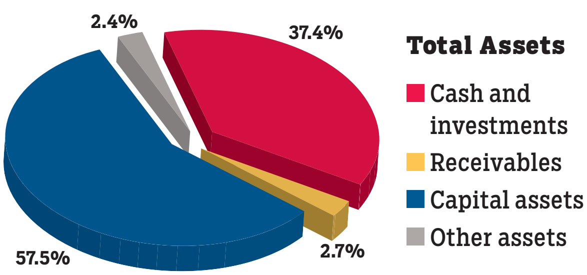
For more than 40 years, Assembly Hall in Bloomington has been the site of IU men's and women's basketball games, commencement ceremonies, concerts, and speeches by presidents and world leaders. A $43,580,000 renovation project, made possible through a gift from Cindy Simon Skjodt, was completed in October 2016, in time for the start of the facility's 46th basketball season. The renovations preserve one of the greatest home-court advantages in college basketball and also modernize the historic facility. The renamed Simon Skjodt Assembly Hall is more accessible and offers an improved game experience for student athletes, fans, staff, and students. The renovations also include the creation of the Mark Cuban Center for Sports Media and Technology, which will give IU's media and technology students an opportunity to use cutting-edge technology and equipment to produce high quality videos and other content for IU Athletics.

North Hall, completed on the Indiana University-Purdue University at Indianapolis (IUPUI) campus in August of 2016 at a cost of $47,100,000, is the first traditional residence hall constructed at IUPUI since the campus was founded in 1969. The residence hall was designed to promote student interaction through the creation of welcoming common spaces, including a grand lobby and microlounges, throughout each residential floor. The 172,000-square-foot building provides housing for 700 students. The building also features a computer lab, a game room, a fitness area, a laundry facility, a large programming area, and two classrooms.

The Student Events and Activities Center on the IU East campus promotes student success and opportunities for engagement and leadership through a comprehensive offering of programs in health and wellness, physical education, athletics, student activities, and special events. The $4,800,000 cost of the building was funded in part through IU East campus' largest ever gift from an alumnus.

The following table and chart represent the composition of total assets as of June 30, 2017:

Total Assets		
(in thousands of dollars)		
Cash and investments	$ 2,048,299	37.4%
Receivables	149,186	2.7%
Capital assets	3,147,159	57.5%
Other assets	129,826	2.4%
Total assets	**$ 5,474,470**	**100.0%**



DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of resources applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred outflows represent the consumption of net position applicable to a future reporting period and so will not be recognized as expenses or expenditures until then. Certain changes in resources related to the net pension liability, including changes in investment returns and assumptions, are reported as deferred outflows of resources. The amounts recorded also include deferred charges on refundings of capital debt.

LIABILITIES

Current Liabilities

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

Current liabilities decreased $28,369,000, or 7%, and increased $32,299,000, or 8%, in 2017 and 2016, respectively. Accounts payable and accrued liabilities decreased $33,624,000, or 13%, in 2017. In April 2013, the university implemented a "freeze" of its PERF participation under which non-exempt employees hired on or after July 1, 2013, would enroll in a defined contribution plan instead of the PERF defined benefit plan. Subsequently, the Indiana General Assembly passed a law, which retroactively imposed a new funding obligation for employers who had previously made the decision to freeze PERF participation. The university recorded this obligation at June 30, 2016, and made payment to satisfy this obligation in August 2016, resulting in a decrease in current accounts payable as of June 30, 2017 (see Note 12, Retirement Plans).

Noncurrent Liabilities

Noncurrent liabilities increased $37,842,000, or 3%, and decreased $37,340,000, or 3%, in 2017 and 2016, respectively. Other noncurrent liabilities include other postemployment benefits (as described in Note 13, Postemployment Benefits) and compensated absences. Compensated absences are comprised of employee vacation and sick leave and fluctuate as employees earn and use those leave balances. In 2015, the university adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requiring governments providing defined benefit plans to recognize their unfunded pension benefit obligations for the first time. In accordance with the statement, the university recorded a net pension liability of $95,689,000 and $98,279,000 at June 30, 2017 and 2016, respectively (see Note 12, Retirement Plans).

DEBT AND FINANCING ACTIVITY

Institutional borrowing capacity is a valuable resource that is actively managed in support of the institutional mission. Bonds, notes, and capital lease obligations totaled $1,085,679,000 and $1,027,324,000 at June 30, 2017 and 2016, respectively.

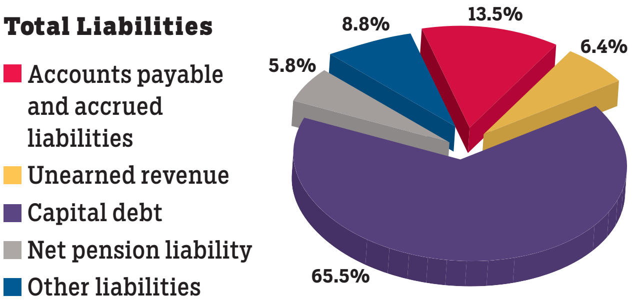
On August 4, 2016, the university issued fixed rate Student Fee Bonds, Series X (Series X) with a par amount of $71,710,000. Series X new money proceeds were used to finance the Old Crescent Renovation Phase II project for the renovation of Kirkwood Hall, Swain Hall, and Ernie Pyle Hall on the Bloomington campus. Series X proceeds were additionally used to current refund a portion of Student Fee Bonds, Series R and advance refund a portion of Student Fee Bonds, Series U. Bond proceeds were also used to pay costs to issue the bonds, including underwriters' discount. At issuance, the all-in true interest cost for Series X was 2.26%. The Series X refunding bonds produced a net present value savings of $2,270,000, which was 7.54% of refunded par bonds.

On March 8, 2017, the university issued fixed rate Lease-Purchase Obligations, Series 2017A with a par amount of $74,575,000 as new money bonds. The proceeds financed the Memorial Stadium Excellence Academy and Related Stadium Renovations project and the Eskenazi Museum of Art Renovations project on the Bloomington campus. Bond proceeds were also used to pay capitalized interest and costs to issue the bonds, including underwriters' discount. The true interest cost for LPO Series 2017A was 3.71%.

The university's ratings on debt obligations were last reviewed and reaffirmed in February 2017. On February 7, 2017, S&P Global Ratings rated the university's most recent lease-purchase obligations and reaffirmed its long-term rating and underlying rating on all student fee bonds, consolidated revenue bonds, certificates of participation, and lease-purchase obligations issued by the university as 'AAA' with a stable outlook. On February 7, 2017, Moody's Investors Service rated the university's most recent lease-purchase obligations and reaffirmed its underlying rating on all student fee bonds, consolidated revenue bonds, lease-purchase obligations, and certificates of participation as 'Aaa' with a stable outlook.

The following table and chart represent the composition of total liabilities as of June 30, 2017:

Total Liabilities		
(in thousands of dollars)		
Accounts payable and accrued liabilities	$ 223,629	13.5%
Unearned revenue	105,776	6.4%
Capital debt	1,085,679	65.5%
Net pension liability	95,689	5.8%
Other liabilities	146,283	8.8%
Total liabilities	**$ 1,657,056**	**100.0%**



DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of resources applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred inflows represent an acquisition of net position applicable to a future reporting period and so will not be recognized as revenue until then. The amounts recorded are related to the net pension liability.

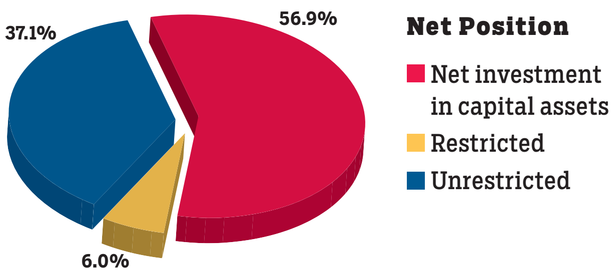
NET POSITION

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

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

The following table and chart represent the composition of net position as of June 30, 2017:

Total Net Position		
(in thousands of dollars)		
Net investment in capital assets	$ 2,200,168	56.9%
Restricted	230,713	6.0%
Unrestricted	1,434,658	37.1%
Total net position	**$ 3,865,539**	**100.0%**



The university's net investment in capital assets reflects the institutional capital investment in sustaining and enhancing the university's mission and strategic plans. The net investment in capital assets increased $151,942,000, or 7%, and $124,195,000, or 6%, in 2017 and 2016, respectively. Growth in this area is managed according to the university's long-range capital plans, along with operating units' needs to support programs and operating needs.

Restricted net position decreased $15,361,000, or 6%, and $52,589,000, or 18%, in 2017 and 2016, respectively. Variances in both years are largely due to fluctuations in spending of bond proceeds.

Unrestricted net position is subject to internal designations and commitments for academic and research initiatives, capital projects, and unrestricted quasi- and term endowment spending plans. Unrestricted net position increased $17,673,000, or 1%, and $34,050,000, or 2%, in 2017 and 2016, respectively. Unrestricted net position represents resources available for ongoing operational needs and for funding ongoing obligations, as well as providing flexibility to support the university's mission in changing economic environments.

Total net position increased $154,254,000, or 4%, and $105,656,000, or 3%, in 2017 and 2016, respectively. Net position at June 30, 2017, was $3,865,539,000.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Revenues and expenses are classified as either operating or nonoperating, in accordance with GASB principles for classification into these categories. Trends in the relationship between operating revenues and expenses are important indicators of financial condition. Generally, operating revenues are received for providing goods and services and include tuition and fees, grants and contracts, sales and services, and auxiliary revenue. Scholarship allowances are recorded as offsets to gross tuition and fees and auxiliary revenue. Student financial aid in excess of amounts owed for tuition, fees, and housing are recorded as expenses. Nonoperating revenues include state appropriations, revenue from certain grants and contracts, gifts, and investment income. Operating expenses are those incurred to carry out the normal operations of the university. As a public university, Indiana University is required by GASB standards to report certain revenue sources that are an integral part of operations as nonoperating revenues.

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

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

(in thousands of dollars)		*Fiscal Year Ended*	
	June 30, 2017	*June 30, 2016*	*June 30, 2015*
Operating revenues	$ 2,316,022	$ 2,256,204	$ 2,207,604
Operating expenses	(3,063,303)	(2,941,624)	(2,863,815)
Total operating loss	(747,281)	(685,420)	(656,211)
Nonoperating revenues	876,561	794,928	781,232
Nonoperating expenses	(33,308)	(31,668)	(34,520)
Income before other revenues, expenses, gains, or losses	95,972	77,840	90,501
Other revenues	58,282	27,816	47,904
Increase in net position	**154,254**	**105,656**	**138,405**
Net position, beginning of year	3,711,285	3,605,629	3,591,188
Adjustment per change in accounting principle	–	–	(123,964)
Net position, beginning of year, as restated	–	–	3,467,224
Net position, end of year	**$ 3,865,539**	**$ 3,711,285**	**$ 3,605,629**

The following charts represent revenues by major source for fiscal years 2017 and 2016:

School of Public and Environmental Affairs, Bloomington

Operating revenues increased $59,818,000, or 3%, and $48,600,000, or 2%, during 2017 and 2016, respectively. The university supports its operations with diverse revenue sources, of which the largest single source is student tuition and fees. Tuition and fees, net of scholarship allowances, increased $24,978,000, or 2%, and $36,857,000, or 3%, during 2017 and 2016, respectively and represents 36% of total revenue in 2017. Tuition and fee revenue is effected by a combination of changes in tuition rates, enrollment, and the mix of student levels and residency. The university's *Bicentennial Strategic Plan* articulates a commitment to access and affordability for students. Representative of this commitment, undergraduate tuition and fee rate increases in 2017 and 2016 were the lowest in more than 35 years and ranged from a tuition freeze for Indiana residents on the Bloomington campus to 1.65% for residents on the IUPUI campus. Regional campus undergraduate tuition and fee rate increases increased an average of 1.65%. The university receives revenue for sponsored programs from various government and nongovernmental agencies, a significant portion of which is related to federal research. Federal operating grant and contract revenue increased $21,833,000, or 7%, and $4,375,000, or 1%, in 2017 and 2016, respectively. Total operating grant and contract revenues from all sources remained relatively flat in 2017, at less than a 1% increase, and increased 4% in 2016.

Operating expenses increased $121,679,000, or 4%, and $77,809,000, or 3%, in 2017 and 2016, respectively. Compensation and benefits, at 66% of total operating expenses, represent the largest single university expense. The university's strategic plan makes a clear statement of commitment to "recruit and retain an outstanding, diverse and inclusive faculty from researchers, scholars, teachers, and creative artists worldwide who are recognized as among the very best in their fields." Compensation and benefits expense increased $60,571,000, or 3%, and $71,847,000, or 4%, in 2017 and 2016, respectively. University benefit plans play an important role in attracting and retaining employees and the university has implemented initiatives in recent years to control costs without compromising the competitiveness of the benefit package. The university's High Deductible Health Plan (HDHP) lowers employer premiums while providing employees with greater control over healthcare spending. Approximately 95% of employees were enrolled in a HDHP in 2017. While overall health care costs have increased, the university's cost per employee is at or below market benchmarks. The combination of student financial aid expense and scholarship allowances increased $21,673,000, or 6%, and totaled $415,787,000 in 2017. The

2017 increase of $4,971,000 in travel expenses is primarily attributable to the auxiliary enterprises, research, and instruction functions. Energy and utilities expense increased $2,656,000, or 4%, in 2017. A combination of rate increases, a warmer cooling season, and new buildings contributed to overall increased utility costs, while the university continued to benefit from energy efficiency measures and strategies to stabilize rate fluctuations. During 2016, energy and utilities expense decreased $4,619,000, or 6%. Factors contributing to the decline in 2016 included favorable natural gas pricing, as well as electricity savings attributed to increased energy efficiency in central chilled water management, as well as a reduction in electric loads with conversions to LED lighting.

Nonoperating revenues, net of interest expense, increased $79,993,000, or 10%, and $16,548,000, or 2%, in 2017 and 2016, respectively. State operating appropriations are comprised of appropriations to support the primary general educational mission of the university and student fee replacement appropriations for the purpose of reimbursing a portion of the university's debt service for certain academic facilities. The state of Indiana appropriates operating funds to the state's colleges and universities on a performance-based funding model focused on key student success measures. Non-capital state appropriations totaled $558,111,000 in 2017, and is the university's second largest revenue source, after tuition and fees. Investment income increased $49,858,000, or 153%, in 2017, largely driven by a combination of realized and unrealized gains. Investment income increased $8,849,000, or 37%, to $32,543,000 in 2016, primarily due to unrealized gains compared to unrealized losses in 2015. Unrealized gains in 2016 were partially offset by realized losses. Gift revenue increased $24,389,000, or 22%, as various academic departments leveraged IU Foundation endowments to support scholarships and fellowships.

The university recognized $54,256,000 and $27,814,000 in 2017 and 2016, respectively, in capital appropriations and capital gifts and grants for repairs, renovations, and improvements across all campuses. Revenue recognized as capital appropriations and capital gifts and grants fluctuates as funding is brought in to the university according to the needs of the schools and campuses.

STATEMENT OF CASH FLOWS

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

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

Comparative Statement of Cash Flows

(in thousands of dollars)		*Fiscal Year Ended*	
	June 30, 2017	*June 30, 2016*	*June 30, 2015*
Net cash provided (used) by:			
Operating activities	$ (651,135)	$ (518,997)	$ (533,968)
Noncapital financing activities	795,174	770,852	748,874
Capital and related financing activities	(247,955)	(371,354)	(115,494)
Investing activities	52,653	117,200	(119,267)
Net increase (decrease) in cash and cash equivalents	**(51,263)**	**(2,299)**	**(19,855)**
Beginning cash and cash equivalents	278,722	281,021	300,876
Ending cash and cash equivalents	**$ 227,459**	**$ 278,722**	**$ 281,021**

The university's cash and cash equivalents decreased $51,263,000 and $2,299,000 in 2017 and 2016, respectively. Net cash flows from operating activities consists primarily of student fees, grants and contracts, and auxiliary enterprise receipts. Payments to employees represent the largest use of cash for operations. Significant sources of cash provided by noncapital financing activities, as defined by GASB, including state appropriations, federal Pell grants, and private noncapital gifts, are used to fund operating activities. Fluctuations in capital and related financing activities reflect decisions made relative to the university's capital and financing plans. Cash flows from investing activities include the effects of shifts between cash equivalents and longer-term investments.

In 2017, the university reclassified certain cash and cash equivalents as short-term investments. This retrospective reclassification reflects cash and cash equivalents at original maturities of 90 days or less in order to better align our reporting with the characteristics of short-term highly liquid investments.

ECONOMIC OUTLOOK

After experiencing a year-over-year revenue decline of 0.5% in 2016, 2017 forecasted state revenues rebounded and were $106,800,000, or 0.7%, above forecast and $454,300,000, or 3.1%, above 2016 collections. Sales tax collections, the largest single state tax revenue source, grew at a relatively strong rate of 3.7% over 2016, while individual income tax collections grew at a strong rate of 4.2% over 2016. Rounding out the state's "Big 3" tax revenues, corporate income tax collections declined by 0.5% from 2016, but exceeded forecast. It is important to note that state tax revenues in 2017 were impacted modestly by individual and business income tax cuts enacted by the General Assembly in recent years. These tax cuts are being phased-in over several years and considering even their modest impact, supports the conclusion that 2017 was a good tax collection year for the state. Despite some drawdown of state reserves, primarily for one-time spending on streets and roads, the state's overall fiscal standing remains strong with total reserve balances totaling $1,777,100,000 at June 30, 2017, or 11.5%, of state operating revenues.

For 2018, total state revenues were forecast in April 2017 to increase by $420,900,000, or 2.8%, over 2017 revenues. However, because actual revenue collections in 2017 were above forecast, revenue growth of $314,100,000, or 2.1%, is required to achieve the 2018 revenue forecast level. Barring unexpected economic events, this forecast level should be achievable.

Move-In Day at Memorial Hall, Bloomington

Indiana's unemployment rate was 4.5% at the beginning of fiscal year 2017 in July 2016 and ended the fiscal year in June 2017 at a preliminary rate of 3.0%. Indiana's rate compared favorably to the national unemployment rate of 4.4% in June 2017.

In conclusion, both Indiana and the national economies are expanding, albeit in an environment in which much economic uncertainty exists.

Statement of Net Position

(in thousands of dollars)	*June 30, 2017*	*June 30, 2016*
ASSETS		
Current assets		
Cash and cash equivalents	$ 227,459	$ 278,722
Accounts receivable, net	149,186	126,586
Current portion of notes and pledges receivable	14,703	15,091
Inventories	9,675	8,980
Short-term investments	201,907	202,672
Other assets	46,975	49,164
Total current assets	649,905	681,215
Noncurrent assets		
Notes and pledges receivable	58,473	58,329
Investments	1,618,933	1,587,596
Capital assets, net	3,147,159	2,984,285
Total noncurrent assets	4,824,565	4,630,210
Total assets	**5,474,470**	**5,311,425**
Deferred outflows of resources	**86,345**	**67,186**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	223,629	257,253
Unearned revenue	82,009	83,440
Current portion of capital lease obligations	1,286	1,044
Current portion of long-term debt	81,333	74,889
Total current liabilities	388,257	416,626
Noncurrent liabilities		
Capital lease obligations	2,217	2,373
Notes payable	188,020	111,310
Assets held in custody for others	78,807	79,705
Unearned revenue	23,767	28,591
Bonds payable	812,823	837,708
Other long-term liabilities	67,476	72,991
Net pension liability	95,689	98,279
Total noncurrent liabilities	1,268,799	1,230,957
Total liabilities	**1,657,056**	**1,647,583**
Deferred inflows of resources	**38,220**	**19,743**
NET POSITION		
Net investment in capital assets	2,200,168	2,048,226
Restricted for:		
Nonexpendable - endowments	59,075	54,406
Expendable		
Scholarships, research, instruction, and other	120,751	123,899
Loans	18,720	19,396
Capital projects	15,226	27,037
Debt service	16,941	21,336
Unrestricted	1,434,658	1,416,985
Total net position	**$ 3,865,539**	**$ 3,711,285**

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

Indiana University Foundation

Statements of Financial Position
June 30, 2017 and 2016
(In thousands)

	2017	2016
Assets		
Cash and cash equivalents	**$ 98,367**	$ 65,214
Collateral under securities lending agreement	**98,059**	99,083
Receivables and other assets	**22,438**	21,978
Due from brokers	**60,381**	74,628
Promises to give, net	**176,233**	196,358
Investments	**2,347,969**	2,099,995
Property, plant, and equipment, net	**57,932**	43,900
Total assets	**$ 2,861,379**	$ 2,601,156
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other	**$ 7,755**	$ 8,957
Due to brokers	**87,751**	86,577
Collateral under securities lending agreement	**98,059**	99,083
Split interest agreement obligations	**34,766**	33,172
Assets held for the University	**230,266**	209,925
Assets held for University affiliates	**39,937**	38,194
Total liabilities	**498,534**	475,908
Net assets:		
Unrestricted	**65,679**	50,762
Temporarily restricted	**890,671**	831,736
Permanently restricted	**1,406,495**	1,242,750
Total net assets	**2,362,845**	2,125,248
Total liabilities and net assets	**$ 2,861,379**	$ 2,601,156

See notes to financial statement

Statement of Revenues, Expenses, and Changes in Net Position

(in thousands of dollars)	*Fiscal Year Ended*	
	June 30, 2017	*June 30, 2016*
OPERATING REVENUES		
Student fees	$ 1,452,395	$ 1,402,098
Less scholarship allowance	(271,601)	(246,282)
Federal grants and contracts	320,054	298,221
State and local grants and contracts	19,088	24,437
Nongovernmental grants and contracts	130,447	145,893
Sales and services of educational units	39,422	41,358
Other revenue	274,003	266,032
Auxiliary enterprises (net of scholarship allowance of $35,689 in 2017 and $32,023 in 2016)	352,214	324,447
Total operating revenues	**2,316,022**	**2,256,204**
OPERATING EXPENSES		
Compensation and benefits	2,009,667	1,949,096
Student financial aid	144,186	147,832
Energy and utilities	76,121	73,465
Travel	59,967	54,996
Supplies and general expense	617,809	565,528
Depreciation and amortization expense	155,553	150,707
Total operating expenses	**3,063,303**	**2,941,624**
Total operating loss	**(747,281)**	**(685,420)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations	558,111	545,330
Grants and contracts	99,581	104,976
Investment income	82,401	32,543
Gifts	136,468	112,079
Interest expense	(33,308)	(31,668)
Net nonoperating revenues	**843,253**	**763,260**
Income before other revenues, expenses, gains, or losses	**95,972**	**77,840**
Capital appropriations	31,083	14,844
Capital gifts and grants	23,173	12,970
Additions to permanent endowments	4,026	2
Total other revenues	**58,282**	**27,816**
Increase in net position	**154,254**	**105,656**
Net position, beginning of year	3,711,285	3,605,629
Net position, end of year	**$ 3,865,539**	**$ 3,711,285**

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

Indiana University Foundation

Statement of Activities
Year Ended June 30, 2017
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and other revenue:				
Contributions	$ 2,139	$ 109,081	$ 80,892	$ 192,112
Investment income, net	17,748	123,098	85,071	225,917
Management/administrative fees	19,866	(16,691)	(30)	3,145
Grants	-	956	-	956
Other income	10,920	2,999	691	14,610
Development service fees from the University	4,730	-	-	4,730
Change in value of split interest agreements	88	720	3,322	4,130
Net assets released from restrictions	167,429	(161,228)	(6,201)	-
Total support and other revenue	222,920	58,935	163,745	445,600
Expenses:				
Grants and aid to the University	167,574	-	-	167,574
Management and general	19,428	-	-	19,428
Fundraising	21,001	-	-	21,001
Total expenses	208,003	-	-	208,003
Change in net assets	14,917	58,935	163,745	237,597
Net assets, beginning of year	50,762	831,736	1,242,750	2,125,248
Net assets, end of year	$ 65,679	$ 890,671	$ 1,406,495	$ 2,362,845

See notes to financial statements.

(in thousands of dollars)	*Fiscal Year Ended* *June 30, 2017*	*June 30, 2016*
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	$ 1,175,160	$ 1,160,481
Grants and contracts	459,837	449,814
Sales and services of educational activities	39,522	42,670
Auxiliary enterprise charges	350,424	326,954
Other operating receipts	270,950	264,015
Payments to employees	(2,027,110)	(1,945,497)
Payments to suppliers	(776,351)	(671,415)
Student financial aid	(145,056)	(147,475)
Student loans collected	12,266	11,716
Student loans issued	(10,777)	(10,260)
Net cash used in operating activities	**(651,135)**	**(518,997)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	554,752	554,930
Nonoperating grants and contracts	99,581	104,976
Gifts and grants received for other than capital purposes	140,896	111,897
Direct lending receipts	518,823	532,963
Direct lending payments	(518,878)	(533,914)
Net cash provided by noncapital financing activities	**795,174**	**770,852**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	31,083	14,844
Capital grants and gifts received	21,925	6,211
Purchase of capital assets	(319,393)	(304,465)
Proceeds from issuance of capital debt, including refunding activity	134,977	30,595
Principal payments on capital debt	(65,864)	(61,987)
Principal paid on capital leases	(1,886)	(9,330)
Interest paid on capital debt and leases	(48,797)	(47,222)
Net cash used in capital and related financing activities	**(247,955)**	**(371,354)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	8,493,813	5,637,759
Investment income	46,970	46,348
Purchase of Investments	(8,488,130)	(5,566,907)
Net cash provided by investing activities	**52,653**	**117,200**
Net decrease in cash and cash equivalents	**(51,263)**	**(2,299)**
Cash and cash equivalents, beginning of year	278,722	281,021
Cash and cash equivalents, end of year	**$ 227,459**	**$ 278,722**

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

(in thousands of dollars)	*Fiscal Year Ended*	
	June 30, 2017	*June 30, 2016*
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (747,281)	$ (685,420)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	155,553	150,707
Loss on disposal of capital assets	3,242	8,567
Changes in assets and liabilities:		
Accounts receivable	(15,438)	8,485
Inventories	(695)	578
Other assets	2,188	424
Notes receivable	244	217
Accounts payable and accrued liabilities	(37,384)	6,783
Unearned revenue	(6,255)	(12,249)
Assets held in custody for others	(898)	496
Other noncurrent liabilities	706	8,126
Net pension liability and related deferreds	(5,117)	(5,711)
Net cash used in operating activities	**$ (651,135)**	**$ (518,997)**

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

Note 1—Organization and Summary of Significant Accounting Policies

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

BASIS OF PRESENTATION: The university financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The university reports on a consolidated basis, with a comprehensive, entity-wide presentation of the university's assets and deferred outflows, liabilities and deferred inflows, net position, revenues, expenses, changes in net position, and cash flows. All significant intra-university transactions are eliminated upon consolidation. The university follows all applicable GASB pronouncements.

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

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

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

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

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

The IU Foundation is a not-for-profit organization that reports under FASB standards, including FASB Statement Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features differ from GASB revenue recognition criteria and presentation features. No modifications have been made to the IU Foundation's financial information in the university's financial reporting to adjust for these differences. The IU Foundation distributed $162,974,000 and $136,856,000 to the university during fiscal years 2017 and 2016, 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 directed, by resolution, that the Indiana University Building Corporation (IUBC) be formed to serve specific purposes on behalf of the university and designated that certain university administrative officers, by virtue of their titles, serve as directors and officers of IUBC. The sole purpose of IUBC is to assist the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease-purchase basis.

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

INVESTMENTS: Investments are carried at fair value, as quoted by the major securities markets. Realized and unrealized gains and losses are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

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

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

CAPITAL ASSETS: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of contribution in the case of gifts. The university capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Capital assets also include land improvements and infrastructure costing in excess of $75,000. Buildings and building renovations that increase the useful life of the building, costing at least the lesser of $75,000 or twenty percent of the acquisition cost of the existing building, are capitalized. Intangible assets with a cost of $500,000 or more are subject to capitalization. Art and museum objects purchased by or donated to the university are capitalized if the value is $5,000 or greater. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally 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 OUTFLOWS OF RESOURCES: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. The university's total deferred outflows of resources were $86,345,000 and $67,186,000 as of fiscal years 2017 and 2016, respectively. The portion of deferred outflows of resources related to the accumulated deferred charges on refundings of capital debt was $22,048,000 and $23,893,000 in fiscal years 2017 and 2016, respectively. The portion of deferred outflows of resources related to the university's net pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* (GASB 68) was $64,297,000 and $43,293,000 in fiscal years 2017 and 2016, respectively.

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

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.

DEFERRED INFLOWS OF RESOURCES: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred inflows of resources related to the university's net pension liability under GASB 68 were $38,220,000 and $19,743,000 in fiscal years 2017 and 2016, respectively.

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

- *Net investment in capital assets:* This component of net position includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.

- *Restricted—nonexpendable:* Assets included in the nonexpendable restricted net position category are subject to externally imposed stip ulations that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal. Such assets include permanent endowment funds.

- *Restricted—expendable:* Resources classified as restricted and expendable are those for which the university is legally obligated to spend in accordance with externally imposed stipulations, or those stipulations that expire with the passage of time.

- *Unrestricted:* Unrestricted resources are not subject to externally imposed restrictions and are primarily used for meeting expenses for academic and general operations of the university.

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

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

- *Operating revenues:* Operating revenues result from exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), government and other grants and contracts, and sales and services of auxiliary enterprises (net of scholarship discounts and allowances).

- *Operating expenses:* Operating expenses are incurred to support exchange transactions resulting in operating revenue. Examples include compensation and benefits, student financial aid, and supplies and general expense.

- *Non-operating revenues and expenses:* Non-operating revenues and expenses include those derived from non-exchange transactions such as gifts, certain federal and state grants, and interest expense. Non-operating revenues include significant revenue sources that are relied upon for operations, such as state appropriations, federal Pell grants and investment income.

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

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

In 2017, the university reclassified certain cash and cash equivalents as short-term investments. This retrospective reclassification reflects cash and cash equivalents at original maturities of 90 days or less in order to better align our reporting with the characteristics of short-term highly liquid investments. This reclassification had no corresponding effect on either the university's net position or total current assets.

The effect of the reclassification from cash and cash equivalents to short-term investments in fiscal years 2016, 2015, and 2014 is shown below:

(dollar amounts presented in thousands)

	Fiscal Year		
	2016	*2015*	*2014*
Cash and cash equivalents, as reclassified	$ 278,722	$ 281,021	$ 300,876
Cash and cash equivalents, as originally stated	345,207	391,568	313,954
Reclassification of cash and cash equivalents	$ (66,485)	$ (110,547)	$ (13,078)

(dollar amounts presented in thousands)

	Fiscal Year		
	2016	*2015*	*2014*
Short-term investments, as reclassified	$ 202,672	$ 241,536	$ 71,798
Short-term investments, as originally stated	136,187	130,989	58,720
Reclassification of short-term investments	$ 66,485	$ 110,547	$ 13,078

Note 2—Deposits and Investments

CUSTODIAL CREDIT RISK – DEPOSITS: The combined bank balances of the university's demand deposits were $15,526,000 and $95,351,000 with balances subject to custodial credit risk in the amount of $4,083,000 and $35,167,000 at June 30, 2017 and 2016, respectively. Of this amount, $2,613,000 and $736,000 was uninsured and uncollateralized and $1,470,000 and $34,431,000 was uninsured and collateralized with securities held by the pledging financial institution at June 30, 2017 and 2016, respectively. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university does not have a formal deposit policy for custodial credit risk, however the university monitors the credit rating and certain financial performance metrics of its custodial and commercial banks on a quarterly basis.

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

At June 30, 2017 and 2016, the university had deposits and investments, including endowment funds, as shown below:

(dollar amounts presented in thousands)

	June 30, 2017	*June 30, 2016*
Cash and cash equivalents	$ 227,459	$ 278,722
Short-term investments	201,907	202,672
Investments	1,618,933	1,587,596
Total	**$ 2,048,299**	**$ 2,068,990**

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

CUSTODIAL CREDIT RISK – INVESTMENTS: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university manages custodial credit risk through the types of investments that are allowed by investment policy. The university also monitors the credit rating and certain financial performance metrics of its custodial and commercial banks. The university had $4,190,000 and $1,606,000 exposed to custodial credit risk at June 30, 2017 and 2016, respectively. The university had $36,473,000 and $14,483,000 where custodial credit risk could not be determined at June 30, 2017 and 2016, respectively. The remainder of the university's investments is not exposed to custodial credit risk and reflects either investment securities registered in the name of the university, investment securities loaned for collateral received, or other types of investments not exposed to custodial credit risk.

INTEREST RATE RISK: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a deposit or investment. The university's policy for controlling its exposure to fair value losses arising from increasing interest rates is to constrain average portfolio duration within ranges of a target portfolio duration set for each portfolio of operating fund investments. The portfolios may seek to enhance returns by attempting to time movements of interest rates within the allowable ranges.

The university had deposits and investments with the following maturities at June 30, 2017:

(dollar amounts presented in thousands)

	Fair Value		Maturities (in years)		
Deposit and Investment Type	*June 30, 2017*	*Less than 1*	*1–5*	*6-10*	*More than 10*
Deposits and investments with maturity date					
Corporate bonds	$ 631,855	$ 247,563	$ 288,368	$ 56,332	$ 39,592
Asset-backed securities	285,155	2,502	134,692	32,945	115,016
Government bonds	401,174	58,546	188,531	88,951	65,146
Government issued asset-backed securities	107,788	886	29,420	12,684	64,798
Fixed income funds	22,375	22,375	–	–	–
Other fixed income	24,693	13,632	5,616	4,602	843
Total deposits and investments with maturity date	**1,473,040**	**345,504**	**646,627**	**195,514**	**285,395**
Deposits and investments with undetermined maturity date					
External investment pools	238,758	238,758	–	–	–
Money market funds	294,586	294,586	–	–	–
Government issued asset-backed securities	34,157	34,157	–	–	–
All other	7,758	7,758	–	–	–
Total deposits and investments with undetermined maturity date	**575,259**	**575,259**	–	–	–
Total	**$ 2,048,299**	**$ 920,763**	**$ 646,627**	**$ 195,514**	**$ 285,395**

North Hall, Indianapolis

The university had deposits and investments with the following maturities at June 30, 2016:

(dollar amounts presented in thousands)

Deposit and Investment Type	*Fair Value June 30, 2016*	*Maturities (in years)* Less than 1	*1–5*	*6-10*	*More than 10*
Deposits and investments with maturity date					
Corporate bonds	$ 674,102	$ 217,171	$ 315,177	$ 84,828	$ 56,926
Asset-backed securities	368,437	5,276	127,112	48,511	187,538
Government bonds	320,090	15,966	151,644	84,824	67,656
Government issued asset-backed securities	87,275	75	11,718	16,354	59,128
Money market funds	67,957	67,957	–	–	–
Fixed income funds	28,626	28,626	–	–	–
Other fixed income	34,436	4,909	26,006	680	2,841
Total deposits and investments with maturity date	**1,580,923**	**339,980**	**631,657**	**235,197**	**374,089**
Deposits and investments with undetermined maturity date					
External investment pools	218,309	218,309	–	–	–
Money market funds	158,199	158,199	–	–	–
Government issued asset-backed securities	27,607	27,607	–	–	–
All other	83,952	83,952	–	–	–
Total deposits and investments with undetermined maturity date	**488,067**	**488,067**	–	–	–
Total	**$ 2,068,990**	**$ 828,047**	**$ 631,657**	**$ 235,197**	**$ 374,089**

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.

At June 30, 2017 and 2016, university deposits and investments had debt securities with associated credit ratings as shown below:

(dollar amounts presented in thousands)

Credit Quality Rating	*Fair Value June 30, 2017*	*Percentage of Total Pool*	*Fair Value June 30, 2016*	*Percentage of Total Pool*
AAA	$ 255,482	12.47%	$ 258,108	12.48%
AA	390,781	19.08%	355,068	17.16%
A	209,707	10.24%	221,722	10.72%
BBB	209,361	10.22%	234,695	11.34%
BB	77,500	3.79%	106,563	5.15%
Below BB	250,774	12.24%	248,229	12.00%
Not rated	654,694	31.96%	644,605	31.15%
Total	**$ 2,048,299**	**100.00%**	**$ 2,068,990**	**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 deposits and investments are to be diversified to the extent that the securities of any single issuer shall be limited to 3.5% of the market value in a particular manager's portfolio. U.S. Government and U.S. governmental agency securities are exempt from this policy requirement.

FOREIGN CURRENCY RISK: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's deposits and investments. The university's policy for controlling exposure to foreign currency risk is to constrain deposits and investments in non-U.S. dollar denominated debt to 25% of an individual manager's portfolio or as specified in each manager's guidelines. Minimal foreign currency exposure could occur if one of the university's investment managers purchases non-U.S. dollar holdings and does not hedge the currency. At June 30, 2017 and 2016, the university had immaterial amounts of deposits and investments exposed to foreign currency risk.

ENDOWMENTS: Endowment funds are managed pursuant to an Investment Agency Agreement between the Trustees of Indiana University ("trustees") and the IU Foundation dated November 14, 2005, which delegates investment management responsibilities to the IU Foundation. Indiana Code 30-2-12, *Uniform Management of Institutional Funds,* sets forth the provisions governing the investment of endowment assets and the expenditure of endowment fund appreciation. The code requires that the trustees and their agents act in good faith and with the care a prudent person acting in a like position would use under similar circumstances, with respect to the investment of endowment assets. The code also sets forth provisions governing the expenditure of endowment fund appreciation, under which the trustees may authorize expenditure, consistent with donor intent. The trustees may, at their discretion, direct all or a portion of the university's endowment funds to other deposits or investments, exclusive of the IU Foundation's investment funds. The spending policy of the trustees is to distribute 4.5% of the twelve quarter rolling average of pooled fund values. Funds held by endowments managed by the IU Foundation are used to acquire pooled shares. The amounts of net appreciation on investments of donor-restricted endowments that are available for expenditure are $34,898,000 and $27,742,000 as of June 30, 2017 and 2016, respectively. These amounts are reported as expendable restricted for scholarships, research, instruction, and other in net position.

Endowment funds have a perpetual investment horizon and, as appropriate, may be invested in asset classes better suited to IU Foundation's longer time horizon, including but not limited to: stocks, bonds, real estate, private placements, and alternative investments. Endowment assets may be invested in pooled funds, direct investments, or a combination of the two. Assets will typically be diversified among high quality stocks and bonds. Additional asset classes such as absolute return, private equity, and real asset investments, may be included when it is reasonable to expect these investments will either increase return, reduce risk, or both. Participation in the pooled investments is achieved by owning units of the Pooled Long-Term Fund and considered an external investment pool to the university. At June 30, 2017, all endowments held with the IU Foundation were invested in pooled funds. The Pooled Long-Term portfolio is diversified based on manager selection, investment style, and asset type to avoid any disproportionate risk related to any one industry or security.

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

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

Note 3—Fair Value Measurements

The university categorizes its fair value measurements within the fair value hierarchy as established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The university had the following recurring fair value measurements as of June 30, 2017:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2017	*Quoted Prices in Active Markets for Identical Assets (Level I)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Investments by fair value level:				
Debt securities				
Corporate bonds	$ 488,325	$ –	$ 485,322	$ 3,003
Collateralized obligations and mortgage-backed securities	428,007	–	426,658	1,349
Government bonds	388,494	–	388,335	159
Inflation index linked notes	44,730	–	44,730	–
Bank loans	32,844	–	32,844	–
Commingled funds	22,375	22,375	–	–
Municipal and provincial bonds	9,224	–	9,224	–
Total debt securities	**1,413,999**	**22,375**	**1,387,113**	**4,511**
External investment pool	238,758	–	–	238,758
Real estate	6,269	–	–	6,269
All other	14,202	8	14,191	3
Total investments by fair value level	**1,673,228**	**$ 22,383**	**$ 1,401,304**	**$ 249,541**
Investments measured at the net asset value (NAV):				
Commingled bond fund	146,499			
Venture capital	1,113			
Total investments measured at the NAV	**147,612**			
Total investments measured at fair value	**$ 1,820,840**			

The university had the following recurring fair value measurements as of June 30, 2016:

(dollar amounts presented in thousands)

		Fair Value Measurements Using		
	June 30, 2016	*Quoted Prices in Active Markets for Identical Assets (Level I)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Investments by fair value level:				
Debt securities				
Corporate bonds	$ 564,265	$ –	$ 562,228	$ 2,037
Collateralized obligations and mortgage-backed securities	487,166	–	481,161	6,005
Government bonds	301,138	–	298,104	3,034
Inflation index linked notes	48,321	–	48,321	–
Commingled funds	37,159	37,159	–	–
Municipal and provincial bonds	11,336	–	11,336	–
Bank loans	9,195	–	9,195	–
Total debt securities	**1,458,580**	**37,159**	**1,410,345**	**11,076**
External investment pool	218,309	–	–	218,309
Real estate	2,245	–	2,245	–
All other	6,227	204	6,023	–
Total investments by fair value level	**1,685,361**	**$ 37,363**	**$ 1,418,613**	**$ 229,385**
Investments measured at the net asset value (NAV):				
Commingled bond fund	103,303			
Venture capital	1,604			
Total investments measured at the NAV	**104,907**			
Total investments measured at fair value	**$ 1,790,268**			

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

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

Debt securities classified in level 1 at June 30, 2017 and 2016, are valued using prices quoted in active markets for those securities.

The fair value of debt securities at June 30, 2017 and 2016, was determined primarily based on level 2 inputs. The university estimates the fair value of these investments using observable market-based inputs. Observable inputs are those that market participants would use in pricing the asset based on market data obtained from independent sources such as quoted market prices, reported sales of similar securities, and reference data.

The fair value of debt securities at level 3 as of June 30, 2017 and 2016, was determined using extrapolated data, proprietary models, indicative quotes, or similar techniques taking into account the characteristics of the asset.

The fair value of external investment pools at June 30, 2017 and 2016, was determined primarily based on level 3 inputs. A monthly valuation assigned to the shares of the pool is used to determine the fair value of the investment pools. A significant portion of the investment pool, $229,152,000 and $208,808,000 respectively at June 30, 2017 and 2016, was held at the IU Foundation. The fair value hierarchy of the foundation's investments can be found in Note 17, Excerpts from Indiana University Foundation Notes to Financial Statements.

The university holds several parcels of real estate for investment purposes. The fair values of these properties are based on appraisals received in June 2016. Since new appraisals were not received for this fiscal year, the level was reduced from a level 2 at June 30, 2016, to a level 3 at June 30, 2017.

The fair value of all other investments at June 30, 2017 and 2016, was determined primarily based on level 2 inputs. The university estimates the fair value of these investments using observable market-based inputs.

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

The university holds shares or interests in a venture capital investment company where the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment company as a practical expedient. The company invests in venture capital firms with the objective that 60% of these are in Indiana and 60% are in the life sciences field. The unfunded commitment was $4,000 and $70,000 as of June 30, 2017 and 2016, respectively. This investment cannot be redeemed until the sixteenth anniversary of the first closing date, which occurs in 2019.

Note 4—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017 and 2016:

(dollar amounts presented in thousands)

	June 30, 2017	*June 30, 2016*
Student accounts	$ 48,814	$ 44,337
Auxiliary enterprises and other operating activities	72,165	59,686
Federal, state, and other grants and contracts	20,472	21,417
Capital appropriations and gifts	10,113	1,723
Other	7,712	8,940
Current accounts receivable, gross	**159,276**	**136,103**
Less allowance for uncollectible accounts	(10,090)	(9,517)
Current accounts receivable, net	**$ 149,186**	**$ 126,586**

Note 5—Capital Assets

Fiscal year ended June 30, 2017
(dollar amounts presented in thousands)

	Balance June 30, 2016	*Additions*	*Transfers*	*Retirements*	*Balance June 30, 2017*
Assets not being depreciated:					
Land	$ 77,409	$ 4,581	$ –	$ 1,466	$ 80,524
Art & museum objects	89,238	4,741	–	51	93,928
Construction in progress	224,336	149,017	(145,138)	2	228,213
Total capital assets not being depreciated	390,983	158,339	(145,138)	1,519	402,665
Other capital assets:					
Infrastructure	225,690	9,741	3,379	–	238,810
Intangibles	12,329	–	–	–	12,329
Land improvements	74,662	7,186	1,977	102	83,723
Equipment	435,492	38,836	8,375	20,732	461,971
Library books	201,386	7,502	–	22,156	186,732
Buildings	3,870,066	99,889	131,407	414	4,100,948
Total other capital assets	4,819,625	163,154	145,138	43,404	5,084,513
Less accumulated depreciation for:					
Infrastructure	154,373	5,031	–	–	159,404
Intangibles	7,617	1,606	–	–	9,223
Land improvements	25,430	4,111	–	12	29,529
Equipment	319,095	34,814	–	19,498	334,411
Library books	113,216	19,402	–	22,148	110,470
Buildings	1,606,592	90,589	–	199	1,696,982
Total accumulated depreciation, other capital assets	2,226,323	155,553	–	41,857	2,340,019
Capital assets, net	**$ 2,984,285**	**$ 165,940**	**$ –**	**$ 3,066**	**$ 3,147,159**

Gymnasium inside Student Events & Activity Center, Richmond

Fiscal year ended June 30, 2016

(dollar amounts presented in thousands)

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Assets not being depreciated:					
Land	$ 70,826	$ 6,583	$ –	$ –	$ 77,409
Art & museum objects	82,124	7,531	–	417	89,238
Construction in progress	143,365	170,869	(89,515)	383	224,336
Total capital assets not being depreciated	296,315	184,983	(89,515)	800	390,983
Other capital assets:					
Infrastructure	205,457	17,833	2,404	4	225,690
Intangibles	11,777	552	–	–	12,329
Land improvements	68,653	5,016	993	–	74,662
Equipment	429,971	28,759	6,651	29,889	435,492
Library books	212,934	10,877	–	22,425	201,386
Buildings	3,722,365	75,028	79,467	6,794	3,870,066
Total other capital assets	4,651,157	138,065	89,515	59,112	4,819,625
Less accumulated depreciation for:					
Infrastructure	149,951	4,426	–	4	154,373
Intangibles	6,056	1,561	–	–	7,617
Land improvements	21,725	3,705	–	–	25,430
Equipment	313,635	33,997	–	28,537	319,095
Library books	114,924	20,716	–	22,424	113,216
Buildings	1,525,380	86,302	–	5,090	1,606,592
Total accumulated depreciation, other capital assets	2,131,671	150,707	–	56,055	2,226,323
Capital assets, net	**$ 2,815,801**	**$ 172,341**	**$ –**	**$ 3,857**	**$ 2,984,285**

Note 6—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2017 and 2016:

(dollar amounts presented in thousands)

	June 30, 2017	June 30, 2016
Accrued payroll	$ 16,417	$ 29,139
Accrual for compensated absences	46,826	43,231
Interest payable	12,095	8,334
Vendor and other payables	148,291	176,549
Total accounts payable and accrued liabilities	**$ 223,629**	**$ 257,253**

Note 7—Other Liabilities

Other liability activity for the fiscal years ended June 30, 2017 and 2016, is summarized as follows:

Fiscal year ended June 30, 2017
(dollar amounts presented in thousands)

	Balance June 30, 2016	*Additions*	*Reductions*	*Balance June 30, 2017*	*Current*
Bonds, notes, and capital leases payable:					
Bonds payable	$ 907,838	$ 52,781	$ 73,060	$ 887,559	$ 74,736
Notes payable	116,069	83,502	4,954	194,617	6,597
Capital leases payable	3,417	1,545	1,459	3,503	1,286
Total bonds, notes, and capital leases payable	1,027,324	137,828	79,473	1,085,679	82,619
Other liabilities:					
Unearned revenue	112,031	–	6,255	105,776	82,009
Assets held in custody for others	80,201	2,488	–	82,689	3,882
Compensated absences	72,045	21,417	17,856	75,606	46,826
Other	44,177	739	6,220	38,696	–
Net pension liability	98,279	–	2,590	95,689	–
Total	406,733	24,644	32,921	398,456	132,717
Total other liabilities	**$ 1,434,057**	**$ 162,472**	**$ 112,394**	**$ 1,484,135**	**$ 215,336**

Fiscal year ended June 30, 2016
(dollar amounts presented in thousands)

	Balance June 30, 2015	*Additions*	*Reductions*	*Balance June 30, 2016*	*Current*
Bonds, notes, and capital leases payable:					
Bonds payable	$ 939,627	$ 34,737	$ 66,526	$ 907,838	$ 70,130
Notes payable	120,158	–	4,089	116,069	4,759
Capital leases payable	2,836	1,739	1,158	3,417	1,044
Total bonds, notes, and capital leases payable	1,062,621	36,476	71,773	1,027,324	75,933
Other liabilities:					
Unearned revenue	124,280	–	12,249	112,031	83,440
Assets held in custody for others	79,847	354	–	80,201	496
Compensated absences	68,572	20,358	16,885	72,045	43,231
Other	40,425	5,070	1,318	44,177	–
Net pension liability	101,229	33,336	36,286	98,279	–
Total	414,353	59,118	66,738	406,733	127,167
Total other liabilities	**$ 1,476,974**	**$ 95,594**	**$ 138,511**	**$ 1,434,057**	**$ 203,100**

Note 8—Bonds and Notes Payable

The university is authorized by acts of the Indiana General Assembly to issue bonds, notes, and other forms of indebtedness for the purpose of financing construction of facilities that include academic and administrative facilities, research facilities on the Bloomington and Indianapolis campuses, athletic facilities, parking facilities, student housing, health service facilities, student union buildings, and energy savings projects. At June 30, 2017 and 2016, the university had serial bonds, term bonds, and capital appreciation bonds outstanding with maturities that extend to June 1, 2044. The university has both tax-exempt and taxable bonds outstanding.

The total outstanding bonds and notes payable at June 30, 2017 and 2016, were $1,082,176,000 and $1,023,907,000, respectively. This indebtedness included principal outstanding at June 30, 2017 and 2016, for bonds issued under Indiana Code (IC) 21-34-6 as student fee debt ("Student Fee Bonds") of $392,121,000 and $391,995,000, respectively and under IC 21-35-3 as consolidated revenue bonds of $411,680,000 and $431,860,000, respectively. This indebtedness also included principal outstanding at June 30, 2017 and 2016, for notes issued under IC 21-33-3-5 as lease-purchase obligations (LPOs) or certificates of participation (COPs), collectively "Obligations", of $177,420,000 and $107,050,000, respectively. Total bonds and notes payable at June 30, 2017 and 2016, have an additional accreted value of outstanding Student Fee Bonds issued as capital appreciation bonds of $3,031,000 and $5,773,000, respectively, which is not in the principal or face value. The calculation of total bonds and notes payable at June 30, 2017 and 2016, includes the addition of bond premium outstanding of $100,955,000 and $93,002,000, respectively. As of June 30, 2017 and 2016, debt service payments to maturity total $1,393,645,000 and $1,314,339,000, respectively, of which $502,880,000 and $444,494,000, respectively, is from bonds eligible for fee replacement appropriations.

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 IC 21-34-6 for certain academic facilities. Such academic facilities include classrooms, libraries, laboratories, and other academic support 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 supplemented on a biennial basis because state statutes prohibit a sitting General Assembly from binding subsequent General Assemblies with respect to future appropriation of funds. In the 45 years of making fee replacement appropriations, the State has never failed to fully fund or otherwise provide for a fee replacement obligation established by a prior General Assembly. The outstanding principal balances which are eligible for fee replacement appropriations as of June 30, 2017 and 2016, are $386,750,000 and $345,139,000, respectively.

In addition to serial and term bonds, the university has issued capital appreciation bonds (CAB). 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 maturity, the investor receives both the initial principal amount and the total investment return. CABs are typically sold at a deeply discounted price and are distinct from traditional zero coupon bonds because the investment return is considered to be in the form of compounded interest rather than accreted original issue discount. Total debt service payments to maturity as of June 30, 2017 and 2016, include CAB payments of $3,980,000 and $7,960,000, respectively, of which $225,000 and $450,000 are eligible for fee replacement appropriations, respectively.

Consolidated Revenue Bonds are unsecured obligations of the university that carry a promise of repayment that will come first from net income generated from housing facilities, parking facilities, and other auxiliary facilities along with certain research, health service facilities, and athletic revenues; and secondly, from other legally available funds of the university.

The Indiana University Building Corporation (IUBC) is an affiliated single-purpose Indiana not-for-profit corporation that was formed by the Trustees of Indiana University in 2008. Its sole purpose is to assist the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease-purchase basis. The Obligations are included in the outstanding indebtedness table under IC 21-33-3-5 and are classified as notes payable.

(dollar amounts presented in thousands)

Bonding Authority	*Interest Rates*	*Final Maturity Year Ended*	*Principal Outstanding June 30, 2017*	*Principal Outstanding June 30, 2016*
Indiana Code 21-34-6 (Bonds: Student Fee Bonds)	1.25 to 6.40%	2036	$ 392,121	$ 391,995
Indiana Code 21-35-3 (Bonds: Consolidated Revenue Bonds)	1.50 to 5.64%	2042	411,680	431,860
Indiana Code 21-33-3-5 (Notes: Obligations – Lease Purchase Obligations and Certificates of Participation)	2.00 to 5.95%	2044	177,420	107,050
Subtotal bonds and notes payable			981,221	930,905
Add unamortized bond premium			100,955	93,002
Total bonds and notes payable			**$ 1,082,176**	**$ 1,023,907**

As of June 30, 2017, the university did not have any variable rate bonds, notes, or commercial paper outstanding. The principal and interest requirements to maturity for bonds and notes payable are as follows:

(dollar amounts presented in thousands)

Fiscal Year Ended June 30	*Bond Principal*	*Note Principal*	*Total Principal*	*Bond Interest*	*Note Interest*	*Total Interest*	*Total Debt Service Payments*
2018	$ 65,931	$ 5,595	$ 71,526	$ 38,890	$ 7,950	$ 46,840	$ 118,366
2019	60,155	5,800	65,955	33,141	7,732	40,873	106,828
2020	55,795	7,075	62,870	30,796	7,515	38,311	101,181
2021	57,200	7,365	64,565	28,346	7,208	35,554	100,119
2022	49,140	7,670	56,810	25,960	6,883	32,843	89,653
2023 - 2027	241,720	39,905	281,625	94,505	29,106	123,611	405,236
2028 - 2032	162,935	45,000	207,935	42,641	18,909	61,550	269,485
2033 - 2037	87,165	32,115	119,280	15,007	9,973	24,980	144,260
2038 - 2042	23,760	20,815	44,575	2,658	4,744	7,402	51,977
2043 - 2047	-	6,080	6,080	-	460	460	6,540
Total	**$ 803,801**	**$ 177,420**	**$ 981,221**	**$ 311,944**	**$100,480**	**$ 412,424**	**$1,393,645**

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

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

As of June 30, 2017, the previously defeased bonds held in escrow have the following amounts of principal redeemed:

(dollar amounts presented in thousands)

Defeased Bonds (Refunded)	*Principal Redeemed*	*Call Date*
Student Fee Bonds, Series S	$ 50,165	8/1/2018
Student Fee Bonds, Series U	19,705	8/1/2021
Consolidated Revenue Bonds, Series 2008A	113,360	6/1/2018
Consolidated Revenue Bonds, Series 2009A	42,965	6/1/2019
Consolidated Revenue Bonds, Series 2011A	5,375	6/1/2020
Total defeased bonds	**$ 231,570**	

In February 2009, the United States Congress enacted the *American Recovery and Reinvestment Act of 2009* (ARRA). ARRA allowed certain tax advantages to state and local governmental entities when such entities issued qualifying taxable obligations, referred to as Build America Bonds (BABs). While the BAB provisions in ARRA expired as of January 1, 2011, the obligation of the U.S. Treasury to make subsidy payments on BABs will remain in effect through the final maturity date of BABs. Although issuers of BABs were eligible to receive subsidy payments from the U.S. Treasury equal to 35% of the corresponding interest payable on the related BABs, subsidies paid after February 28, 2013, were cut due to the federal sequestration. Through June 30, 2017, BABs subsidies for Student Fee Bonds, Series T-2; Consolidated Revenue Bonds, Series 2010B; and Certificates of Participation, Series 2009B combined were reduced by $814,000, which was less than $200,000 per fiscal year that has been effected. Total federal interest subsidies as scheduled at issuance to be received over the life of the BABs debt outstanding as of June 30, 2017, were $21,968,000. BABs subsidies paid between October 1, 2017, and September 30, 2018, are scheduled to be reduced by 6.60% due to the federal sequestration, as compared to 6.90% in the prior year. For fiscal year ending June 30, 2018, the total expected subsidy reductions due to the sequestration is $162,000, which is subject to changes enacted by Congress at subsequent dates.

On August 4, 2016, the university issued fixed rate Student Fee Bonds, Series X (Series X) with a par amount of $71,710,000. Series X new money proceeds were used to finance the Old Crescent Renovation Phase II project for the renovation of Kirkwood Hall, Swain Hall, and Ernie Pyle Hall on the Bloomington campus. Series X proceeds were additionally used to current refund a portion of Student Fee Bonds Series R and advance refund a portion of Student Fee Bonds Series U. Bond proceeds were also used to pay costs to issue the bonds, including underwriters' discount. At issuance, the all-in true interest cost for Series X was 2.26%. The Series X refunding bonds produced a net present value savings of $2,270,000, which was 7.54% of refunded par bonds.

On March 8, 2017, the university issued fixed rate Lease-Purchase Obligations, Series 2017A with a par amount of $74,575,000 as new money bonds. The proceeds financed the Memorial Stadium Excellence Academy and Related Stadium Renovations project and the Eskenazi Museum of Art Renovations project on the Bloomington campus. Bond proceeds were also used to pay capitalized interest and costs to issue the bonds, including underwriters' discount. The true interest cost for LPO Series 2017A was 3.71%.

Note 9—Lease Obligations

The university has acquired equipment under various lease-purchase contracts and other capital lease agreements. The cost of equipment held under capital leases totaled $6,069,000 and $5,751,000 as of June 30, 2017 and 2016, respectively. Accumulated amortization of leased equipment totaled $2,757,000 and $2,098,000 at June 30, 2017 and 2016, respectively.

The university entered into agreements for the right to use certain infrastructure assets for a given period of time. The cost of the leased infrastructure assets totaled $8,568,000 and $8,100,000 with accumulated depreciation of $703,000 and $217,000 as of June 30, 2017 and 2016, respectively.

The university leases certain facilities. The majority of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs.

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

(dollar amounts presented in thousands)

	Capital	*Operating*
2018	$ 1,418	$ 14,668
2019	1,248	8,364
2020	728	7,069
2021	336	6,758
2022	24	4,587
2023-2027	–	6,753
2028-2030	–	79
Total future minimum payments	3,754	$ 48,278
Less: interest	(251)	
Total principal payments outstanding	**$ 3,503**	

Note 10—Federal Obligations Under Student Loan Programs

Campus based student loans are funded by new allocations received from the federal government, as well as principal and interest collected from previous student loan recipients. The federal government advanced $2,066,000 and $127,000 for health professions and nursing loan programs for fiscal years ended June 30, 2017 and 2016, respectively.

Liabilities at June 30, 2017 and 2016, for loan programs were as follows:

(dollar amounts presented in thousands)

	June 30, 2017	*June 30, 2016*
Current portion of assets held in custody for others	$ 3,882	$ 496
Noncurrent liabilities:		
Federal share of interest	47,623	46,164
Perkins loans	11,483	15,450
Health professions loans	17,142	16,006
Nursing loans	2,559	2,085
Total noncurrent portion of assets held in custody for others	78,807	79,705
Total assets held in custody for others	**$ 82,689**	**$ 80,201**

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

Note 11—Risk Management

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

The university has three health care plans for full-time appointed 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 12.5% of the paid self-funded claims during the fiscal year, and totals $25,150,000 and $29,866,000 at June 30, 2017 and 2016, respectively. In addition, a potential claims fluctuation liability of $9,876,000 has been recorded at June 30, 2017 and 2016.

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

(dollar amounts presented in thousands)

Fiscal Year	*Beginning Balance*	*Claims Incurred*	*Claims Paid*	*Ending Balance*
2017	$ 29,866	$ 205,733	$ 210,449	$ 25,150
2016	28,637	212,588	211,359	29,866

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

The university also provides health care plans for international students, graduate assistants, fellowship recipients, and medical residents. These plans consist of fully insured and self-funded plans, along with a stop/loss provision. The university has recorded a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans in the amount of $1,656,000 and $2,614,000 at June 30, 2017 and 2016, respectively. These plans are funded by direct charges to the associated schools and/or departments.

Note 12—Retirement Plans

The university provided retirement plan coverage to 19,220 and 18,929 active employees as of June 30, 2017 and 2016, respectively, in addition to contributing to the Federal Insurance Contributions Act (FICA) as required by law.

RETIREMENT AND SAVINGS PLAN

All support and service employees with at least a 50% full-time equivalent (FTE) appointment and temporary with retirement employees scheduled to work at least 1,000 hours or more in a calendar year hired on or after July 1, 2013, participate in the Retirement and Savings Plan. This is a defined contribution plan under IRC 401(a). The university contributed $3,759,000 during fiscal year ended June 30, 2017, and $2,567,000 during fiscal year ended June 30, 2016, to TIAA-CREF for the plan. The university contributed $740,000 during fiscal year ended June 30, 2017, and $444,000 during fiscal year ended June 30, 2016, to Fidelity Investments for the plan. Under this plan, 1,995 and 1,759 employees directed university contributions to TIAA-CREF as of June 30, 2017 and 2016, respectively. In addition, 424 and 317 directed university contributions to Fidelity Investments as of June 30, 2017 and 2016, respectively.

ACADEMIC AND PROFESSIONAL STAFF EMPLOYEES

Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b). The university contributed $59,540,000 during fiscal year ended June 30, 2017, and $59,803,000 during fiscal year ended June 30, 2016, to TIAA-CREF for the IU Retirement Plan. The university contributed $44,973,000 during fiscal year ended June 30, 2017, and $39,408,000 during fiscal year ended June 30, 2016, to Fidelity Investments for the IU Retirement Plan. Under this plan, 7,137 and 7,194 employees directed university contributions to TIAA-CREF as of June 30, 2017 and 2016, respectively. In addition, 7,265 and 6,786 employees directed university contributions to Fidelity Investments as of June 30, 2017 and 2016, respectively.

In addition to the above, the university provides early retirement benefits to full-time appointed academic and professional staff employees who were in positions Grade 16 and above on or before June 30, 1999. There were 856 and 901 active employees on June 30, 2017 and 2016, 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 $2,277,000 and $1,951,000 to IUSERP during fiscal years ended June 30, 2017 and 2016, respectively. The same class of employees covered by the IU Retirement Plan 15% Level of Contributions on or before July 14, 1988, is covered by the IU 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous university service. During the fiscal year ended June 30, 2017, the university made total payments of $24,630,000 to 250 individuals receiving IU 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2016, the university made total payments of $27,507,000 to 285 individuals receiving IU 18/20 Retirement Plan payments.

IU REPLACEMENT RETIREMENT PLAN FUNDING POLICY AND ANNUAL PENSION COST

The university has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the trustees. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participants' lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. There were 78 and 79 employees eligible to participate as of June 30, 2017 and 2016, respectively. University contributions related to this plan totaled $1,192,000 and $1,061,000 for fiscal years ended June 30, 2017 and 2016, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution. As of June 30, 2017 and 2016, the net pension liability was $6,656,000 and $4,829,000, respectively.

INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND

The university contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System (INPRS) administers the cost-sharing, multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. Support, technical, and service employees with at least a 50% FTE appointment hired prior to July 1, 2013, participate in the PERF plan. There were 3,280 and 3,715 active university employees covered by this retirement plan as of June 30, 2017 and 2016, respectively. State statutes authorize the university to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11 and are based on actuarial investigation and valuation. Per IC 5-10.2-4-4, key elements of the pension formula include years of PERF creditable service multiplied by average annual compensation multiplied by 1.1%, resulting in an annual lifetime benefit. Cost of living adjustments for members in pay status are not guaranteed by statute, but may be granted by the Indiana General Assembly on an ad hoc basis. Refunds of employee contributions are included in total benefit payments. Participants must have at least ten years of PERF creditable service to have a vested right to the pension benefit. The annuity savings account consists of contributions set by state statute at 3.0% of compensation plus the earnings credited to members' accounts. Participants are 100% vested from inception in the annuity savings account. The university has elected to make the contributions to the annuity savings account on behalf of the members. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The financial report and corresponding fiduciary net position is prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments of the pension plan are valued as follows: Pooled and non-pooled investments are reported at fair value. Short-term investments are reported at cost. Fixed income and equity securities are valued based on published market prices, quotations from national security exchanges, or using modeling techniques that approximate a fair value for securities that are not traded on a national exchange. Alternative investments are valued based on quoted market prices or using estimates of fair value in the absence of readily determinable public market values. Derivative instruments are marked to market daily. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204; by calling 1-888-286-3544; or by reviewing the Annual Report online at www.in.gov/inprs/annualreports.htm.

Required and actual contributions made by the university totaled $18,802,000 and $19,712,000 for fiscal years ended June 30, 2017 and 2016, respectively. This represented an 11.2% university pension benefit contribution for fiscal years ended June 30, 2017 and 2016, and a 3.0% university contribution for the annuity savings account provisions each year.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Indiana Public Employees' Retirement Fund. At June 30, 2017, the university reported a liability of $95,689,000 for its proportionate share of the net pension liability, as compared to $98,279,000 for the year ended June 30, 2016. The June 30, 2017, net pension liability of $95,689,000 at the measurement date was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, which used update procedures to roll forward the estimated liability to June 30, 2016. The university's proportion of the net pension liability was based on wages reported by the university relative to the collective wages of the plan. This basis measures the proportionate relationship of an employer to all employers and is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2016, the university's proportion was 2.11%, a decrease of 1.19 percentage points from its proportion measured as of June 30, 2015, which was 3.30%. Effective July 1, 2015, Indiana Code 5-10.2-2-21 was amended concerning pensions. The legislation imposed a requirement on employers that stopped enrolling new employees in the fund to make a payment in an amount necessary to fund the employer's share of the unfunded liability attributable to the earned benefit of the employer's PERF covered employees. At June 30, 2016, the university's net pension liability of $134,565,000 at the measurement date was reduced by $36,286,000 to $98,279,000, which reflects the obligation related to Indiana Code 5-10.2-2-21. A payment of $3,630,000 was made during the 2016 fiscal year, with the remaining balance of $32,656,000, paid in fiscal year 2017, reducing accounts payable. Pension expense of the university as of June 30, 2017 and 2016, was $12,913,000 and $17,689,000, respectively.

At June 30, 2017, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollar amounts presented in thousands)

	PERF	
	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	$ 2,144	$ 177
Changes of assumptions	4,222	–
Net difference between projected and actual earnings on pension plan investments	15,662	–
Changes in proportion and differences between university contributions and proportionate share of contributions	27,564	38,043
University contributions subsequent to the measurement date	14,705	–
Total	**$ 64,297**	**$ 38,220**

Deferred outflows of resources in the amount of $14,705,000 related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

At June 30, 2016, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollar amounts presented in thousands)

	PERF	
	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	$ 5,776	$ 278
Changes of assumptions	11,375	–
Net difference between projected and actual earnings on pension plan investments	10,034	–
Changes in proportion and differences between university contributions and proportionate share of contributions	563	19,465
University contributions subsequent to the measurement date	15,545	–
Total	**$ 43,293**	**$ 19,743**

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

(dollar amounts presented in thousands)

Fiscal Year Ended June 30, 2017	*PERF*
2017	$ (461)
2018	(2,158)
2019	(6,206)
2020	(2,547)
2021	–
Thereafter	–

Actuarial Assumptions. The total pension liability as of June 30, 2016, and June 30, 2015, based on the results of actuarial valuation dates of June 30, 2015, and June 30, 2014, and rolled forward, respectively, were determined using the following actuarial assumptions, which were applied to all periods included in the measurement:

	PERF	
	Measurement Date as of June 30, 2016	*Measurement Date as of June 30, 2015*
Cost of living	1.0%	1.0%
Inflation	2.25%, average	2.25%, average
Future salary increases	0.25% to 2.0%	0.25% to 2.0%
Investment rate of return	6.75%, net of pension plan investment expense	6.75%, net of pension plan investment expense
Mortality rates	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables

The actuarial assumptions used in the valuations of June 30, 2016, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies completed in April 2015, which reflected the experience period from July 1, 2010, through June 30, 2014. The valuations of June 30, 2016, incorporate member census data as of June 30, 2015, adjusted for certain activity during fiscal year 2016. Standard actuarial techniques were used to roll forward valuation results over one year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	PERF			
	Measurement Date as of June 30, 2016		*Measurement Date as of June 30, 2015*	
	Target Allocation	*Long-Term Expected Real Rate of Return*	*Target Allocation*	*Long-Term Expected Real Rate of Return*
Public equity	22.0%	5.7%	22.5%	5.3%
Private equity	10.0%	6.2%	10.0%	5.6%
Fixed income – ex inflation-linked[1]	24.0%	2.7%	22.0%	2.1%
Fixed income – inflation-linked	7.0%	0.7%	10.0%	0.7%
Commodities	8.0%	2.0%	8.0%	2.0%
Real estate	7.0%	2.7%	7.5%	3.0%
Absolute return	10.0%	4.0%	10.0%	3.9%
Risk parity	12.0%	5.0%	10.0%	5.0%
Total	**100.0%**		**100.0%**	

[1] *Includes cash & cash equivalents*

Discount rate. The discount rate used to measure the total pension liability was 6.75% for PERF at June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

(dollar amounts presented in thousands)

	PERF		
Sensitivity of Net Pension Liability	*1% Decrease (5.75%)*	*Current Discount Rate (6.75%)*	*1% Increase (7.75%)*
June 30, 2017	$ 137,432	$ 95,689	$ 60,994
June 30, 2016	198,496	134,565	81,492

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

PAYABLE TO THE PENSION PLAN

The university reported a payable of $579,000 at June 30, 2017, and $1,339,000 at June 30, 2016, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2017 and 2016, respectively.

Note 13—Postemployment Benefits

PLAN DESCRIPTION

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* (GASB 45). 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. The 18/20 Plan was adopted by the Trustees of Indiana University ("trustees"). The university provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The university provides retiree life insurance benefits in the amount of $6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees.

The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to early retirement incentive plans, approved by executive management in fiscal year 2011 and 2014, which include five years of annual contributions to a health reimbursement account.

FUNDING POLICY

The contribution requirements of plan members and the university are established and may be amended by the trustees. The university contribution to the 18/20 Plan and retiree life insurance is based on pay-as-you-go financing requirements. Plan members do not make contributions. The medical plans are self-funded and each plan's premiums are updated annually based on actual claims. Retirees receiving medical benefits paid $1,532,000 and $2,301,000 in premiums in the fiscal years ended June 30, 2017 and 2016, respectively. The university contributed $40,370,000 and $48,546,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2017 and 2016, 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 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 years ended June 30, 2017 and 2016, respectively:

(dollar amounts presented in thousands)

	Fiscal Year Ended	
	June 30, 2017	*June 30, 2016*
Annual OPEB cost	$ 41,109	$ 51,514
Less employer contributions	(40,370)	(48,546)
Increase in OPEB obligation	739	2,968
Net OPEB obligation, beginning of year	36,565	33,597
Net OPEB obligation, end of year	**$ 37,304**	**$ 36,565**
Percentage of annual OPEB cost contributed	**98.20%**	**94.24%**

FUNDED STATUS AND FUNDING PROGRESS

The funding progress of the plan as of the most recent and preceding valuation date are as follows:

(dollar amounts presented in thousands)

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as Percentage of Covered Payroll ((b-a) / c)*
July 1, 2016	–	$ 244,371	$ 244,371	0.0%	$ 1,169,353	20.9%
July 1, 2015	–	294,446	294,446	0.0%	1,135,294	25.9%

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 the 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 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.

Cindy's Song, sculpture in front of East Studio Building, Jacobs School of Music, Bloomington

ACTUARIAL METHODS AND ASSUMPTIONS
Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the university and 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 the 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 actuarial valuation of June 30, 2016. The actuarial assumptions include a 4.5% investment rate of return, which is a blended rate of (1) the expected long-term investment returns on plan assets and (2) the university's investments which is calculated based on the funded level of the Plan at June 30, 2017; and an annual healthcare cost trend rate that ranges from 8.5% in fiscal year 2018 to 5.0% in fiscal year 2025. The rate includes a 3.0% inflation assumption. The Unfunded Actuarial Accrued Liability is being amortized over 25 years using level dollar amounts on an open group basis.

Note 14—Related Organization

The university is a major beneficiary of the Riley Children's Foundation of which a majority of the board of directors is appointed by, or serve by virtue of position with, Indiana University. Riley Children's Foundation net assets were $359,741,000 and $337,715,000 at June 30, 2017 and 2016, respectively. Riley Children's Foundation net assets are not included in the financial statements of the university.

Note 15—Functional Expenses

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

Fiscal year ended June 30, 2017
(dollar amounts presented in thousands)

	Natural Classification						
Functional Classification	*Compensation & Benefits*	*Utilities*	*Supplies & Expenses*	*Scholarships & Fellowships*	*Depreciation*	*Travel*	*Total*
Instruction	$ 969,262	$ 708	$ 123,881	$ 14,721	$ –	$ 22,795	$ 1,131,367
Research	159,534	7	100,984	2,378	–	6,672	269,575
Public service	75,766	387	63,265	2,314	–	4,177	145,909
Academic support	323,742	32	122,043	2,378	–	8,992	457,187
Student services	86,769	18	26,202	1,658	–	3,192	117,839
Institutional support	86,325	54	42,134	9	–	1,677	130,199
Physical plant	94,183	71,311	68,096	25	–	456	234,071
Scholarships & fellowships	13,613	–	1,174	114,753	–	106	129,646
Auxiliary enterprises	200,473	3,604	70,030	5,950	–	11,900	291,957
Depreciation	–	–	–	–	155,553	–	155,553
Total operating expenses	**$ 2,009,667**	**$ 76,121**	**$ 617,809**	**$ 144,186**	**$ 155,553**	**$ 59,967**	**$ 3,063,303**

Fiscal year ended June 30, 2016
(dollar amounts presented in thousands)

	Natural Classification						
Functional Classification	*Compensation & Benefits*	*Utilities*	*Supplies & Expenses*	*Scholarships & Fellowships*	*Depreciation*	*Travel*	*Total*
Instruction	$ 941,720	$ 583	$ 118,239	$ 12,460	$ –	$ 20,968	$ 1,093,970
Research	159,080	7	83,295	2,672	–	5,958	251,012
Public service	71,848	339	54,170	2,542	–	3,746	132,645
Academic support	315,320	169	101,451	3,032	–	8,326	428,298
Student services	81,811	11	23,651	2,729	–	2,734	110,936
Institutional support	87,801	44	44,574	60	–	1,549	134,028
Physical plant	97,583	69,373	66,107	–	–	380	233,443
Scholarships & fellowships	12,522	–	1,016	118,246	–	98	131,882
Auxiliary enterprises	181,411	2,939	73,025	6,091	–	11,237	274,703
Depreciation	–	–	–	–	150,707	–	150,707
Total operating expenses	**$ 1,949,096**	**$ 73,465**	**$ 565,528**	**$ 147,832**	**$ 150,707**	**$ 54,996**	**$ 2,941,624**

Note 16—Commitments and Loss Contingencies

The university had outstanding commitments for capital construction projects of $165,843,000 and $153,195,000 at June 30, 2017 and 2016, respectively.

Note 17— Excerpts from Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 1. Organization and Operations and Significant Accounting Policies

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

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

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

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments

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

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

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

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

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

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments (Continued)

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

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

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Foundation's accounting policies regarding the recognition of transfers between levels of the fair value hierarchy. During the fiscal years ended June 30, 2017 and 2016, no such transfers were made.

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

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

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

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

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments (Continued)

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

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

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

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value **	Total
Assets:					
Investments:					
Domestic equities	$ 449,509	$ 11,472	$ -	$ 109,336	$ 570,317
International equities	290,887	-	-	108,929	399,816
Domestic fixed income	108,425	145,616	-	87,642	341,683
International fixed income	3,649	15,280	-	7,427	26,356
Real estate	-	-	19,005	-	19,005
Cash equivalents	41,995	2,627	-	-	44,622
Alternative investments:					
Hedged equity funds	-	-	-	83,204	83,204
Absolute return funds	-	-	-	323,463	323,463
Venture capital	-	-	-	152,858	152,858
Buyouts	-	-	-	105,413	105,413
Distressed / special situations	-	-	-	33,451	33,451
Real estate	-	-	-	78,534	78,534
Alternative fixed income	-	-	-	52,685	52,685
Natural resources	-	-	-	116,562	116,562
	$ 894,465	$ 174,995	$ 19,005	$ 1,259,504	$ 2,347,969
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 34,766	$ -	$ 34,766

INDIANA UNIVERSITY FOUNDATION

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments (Continued)

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value **	Total
Assets:					
Investments:					
Domestic equities	$ 376,586	$ 12,018	$ -	$ 122,813	$ 511,417
International equities	255,311	-	-	57,266	312,577
Domestic fixed income	73,780	144,047	-	78,988	296,815
International fixed income	1,774	13,285	-	10,780	25,839
Real estate	-	-	25,452	-	25,452
Cash equivalents	28,017	1,490	-	-	29,507
Alternative investments:					
Hedged equity funds	-	-	-	98,493	98,493
Absolute return funds	-	-	-	253,399	253,399
Venture capital	-	-	-	141,908	141,908
Buyouts	-	-	-	112,539	112,539
Distressed/special situations	-	-	-	39,457	39,457
Real estate	-	-	-	75,914	75,914
Alternative fixed income	-	-	-	44,811	44,811
Natural resources	-	-	-	102,245	102,245
Public inflation hedge	-	-	-	29,622	29,622
	$ 735,468	$ 170,840	$ 25,452	$ 1,168,235	$ 2,099,995
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 33,172	$ -	$ 33,172

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

As of June 30, 2017 and June 30, 2016 the Foundation had approximately $493,971 and $408,965, respectively, of unfunded capital commitments to various alternative investments, which have no specific capital call dates and such capital calls are at the discretion of the alternative investment fund managers. Management believes most of the commitments will be called sometime in the next one to five years.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which at least one significant unobservable input is used in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments as of June 30, 2017 and 2016:

	2017	2016
Beginning balance (real estate)	$ 25,452	$ 21,842
Realized and unrealized gains (losses)	(7,496)	774
Purchases	3,105	4,295
Sales and settlements	(2,056)	(1,459)
	$ 19,005	$ 25,452

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

	2017	2016
Beginning balance	$ 33,172	$ 35,384
Liability portion of charitable gifts received	3,247	1,984
Payments to annuitants	(3,949)	(3,950)
Change in the present value of split interest obligations	2,296	(246)
	$ 34,766	$ 33,172

The table below presents the Foundation's ability to redeem investments valued at net asset value or its equivalent as of June 30, 2017 and 2016, and includes the underlying investment entities' redemption frequency and redemption notice period. The tables also include a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2017 and 2016:

Investment Category and Strategy	2017 Fair Value	2016 Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities[a]	$ 109,336	$ 122,813	quarterly, annually	30-60 days
International equities[b]	108,929	57,266	weekly, monthly	7-30 days
Domestic fixed income[c]	87,642	78,988	monthly, bimonthly, quarterly	30-45 days
International fixed income[d]	7,427	10,780	monthly, bimonthly, quarterly	30-45 days
Hedge equity funds[e]	83,204	98,493	monthly, quarterly, **** semi-annually, annually	3-95 days
Absolute return funds[f]	323,463	253,399	monthly, quarterly, **** semi-annually, annually	3-95 days
Venture capital funds[g]	152,858	141,908	Long-term commitment ***	none
Buyout funds[h]	105,413	112,539	Long-term commitment ***	none
Distressed/special situation funds[i]	33,451	39,457	Long-term commitment ***	none
Real estate funds[j]	78,534	75,914	Long-term commitment ***	none
Alternative fixed income[k]	52,685	44,811	Long-term commitment ***	none
Natural resources funds[l]	116,562	102,245	Long-term commitment ***	none
Public inflation hedge[m]	-	29,622	monthly	10 days
	$ 1,259,504	$ 1,168,235		

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments (Continued)

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

**** As of June 30, 2017, 53% of the total Marketable Alternative Investments (Hedged equity funds and Absolute return funds) could be redeemed in 0-6 months, an additional 25% could be redeemed between 7-12 months, another 15% could be redeemed between 13-24 months, and 4% could be redeemed between 25-36 months. The remaining 3% is designated as illiquid investments.

(a) This category includes investments held in mutual funds, exchange-traded funds, public equities, partnerships, and limited liability companies located in the United States.

(b) This category includes investments held in mutual funds, exchange-traded funds, partnerships, and limited liability companies located in economies outside of the United States.

(c) This category includes investments that are primarily in both long and short term fixed income securities located in the United States. Management of the investments has the ability to make individual short positions however the overall fund position is net long. There were no restricted investments as of June 30, 2017.

(d) This category includes investments that are primarily in both long and short term fixed income securities located in economies outside of the United States. Management of the investments has the ability to make individual short positions however the overall fund position is net long. There were no restricted investments as of June 30, 2017.

(e) This category includes investments in hedge funds that invest globally in both long and short common stocks across all market capitalizations. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures.

(f) This category includes investments in hedge funds that invest opportunistically across various strategies including long/short equity, fixed income, distressed credit, merger arbitrage, convertible arbitrage, etc.

(g) This category includes investments that are primarily in early-stage companies in the technology and life science sectors. The nature of investments in this category is that money is distributed as underlying companies are exited via acquisition or Initial Public Offering (IPO). The typical life of a partnership is 10 years but is subject to extensions.

(h) This category includes private equity funds that invest across sectors primarily in the United States, but also internationally. The nature of investments in this category is that money is distributed as underlying companies are recapitalized or exited via acquisition or IPO. The typical life of a partnership is 10 years but is subject to extensions.

(i) This category includes investments that are focused on distressed or secondary investments. The typical life of a partnership is 10 years but is subject to extensions.

(j) This category includes investments that are primarily in U.S. commercial real estate, but also includes real estate funds focused on Europe and Asia. The real estate exposure can include both publicly traded Real Estate Investment Trust funds and private partnerships. The typical life of a partnership is 10 years but is subject to extensions.

(k) This category includes investments that are focused primarily on direct lending across the corporate and real estate sectors. The investments are structured to provide a steady stream of income to the Foundation based on floating interest rate loans. The typical life of a partnership is 5 years but is subject to extensions.

(l) This category includes investments that are focused on private energy, mining and minerals, and timber. The typical life of a partnership is 10 years but is subject to extensions. Certain funds in this category may provide an income stream as the underlying commodity is harvested/sold.

(m) This category includes investments that are in equity and equity-related securities, commodity derivatives, fixed income obligations, and derivatives related to equity, fixed income, and commodity securities.

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 3. Fair Value Measurement and Investments (Continued)

In instances in which an underlying investment fund has invested in securities that have less liquidity, such investments may be held in a "side pocket". Generally side pockets are illiquid with no active market. The fair value of the Foundation's investment in underlying funds which are designated as side pocketed were $11,617 and $8,574 as of June 30, 2017 and 2016, respectively.

The following table summarizes the qualitative information about certain of the Foundation's Level 3 inputs as of June 30, 2017 and 2016:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges
Real estate investments, 2017	$ 19,005	Market approach	Comparable transactions	N/A
Real estate investments, 2016	$ 25,452	Market approach	Comparable transactions	N/A

A summary of total investment income (loss) for the years ended June 30, 2017 and 2016, is as follows:

	2017	2016
Dividend, interest, and other investment income	$ 20,916	$ 14,098
Net realized and unrealized gains (losses) on investments	214,233	(92,480)
Outside investment management fees	(9,232)	(4,375)
	$ 225,917	$ (82,757)

Note 17— Excerpts from Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 8. Restricted Net Assets

The income generated from restricted net assets is used in accordance with the donors' time and/or purpose restrictions. Foundation operations and University programs permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2017 and 2016, are as follows:

	2017		2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Foundation operations	$ 8,712	$ 24,911	$ 8,478	$ 23,085
University programs:				
Awards	6,138	17,302	5,721	16,005
Capital and capital improvements	134,676	2,495	135,923	2,320
Fellowships / lectureships	25,700	102,108	24,366	90,084
General endowments	295,526	299,067	261,362	273,892
Medical practice plans	33,662	-	32,532	-
Operations	70,412	5,907	75,218	4,992
Professorships / chairs	108,367	398,391	100,710	331,979
Research	45,541	58,973	41,931	52,777
Scholarships	161,937	497,341	145,495	447,616
	$ 890,671	$ 1,406,495	$ 831,736	$ 1,242,750

Note 17— Excerpts from Indiana University Foundation Notes to Financial Statements

Indiana University Foundation

Notes to Financial Statements
(In thousands)

Note 10. Grants and Aid to the University

Program expenditures include support for Foundation and University programs. For the years ended June 30, 2017 and 2016, a summary of these expenditures is as follows:

	2017	2016
Program expenditures		
Foundation programs		
Real estate	$ 3,059	$ 1,885
Student foundation	565	485
Air services	867	908
Women's programs	16	21
Miscellaneous	93	18
Total Foundation programs	4,600	3,317
Grants and aid to the University		
Grants and aid - operating support		
University support	31,440	32,437
Student scholarship and financial aid	48,306	44,247
Faculty support	35,578	27,407
Faculty research	6,991	8,859
	122,315	112,950
Grants - endowment, capital, land, building and equipment purchases	40,659	23,906
Total University grants and aid	162,974	136,856
	$ 167,574	$ 140,173

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

(dollar amounts presented in thousands)

	Measurement Date as of June 30, 2016	Measurement Date as of June 30, 2015	Measurement Date as of June 30, 2014
University's proportion of the net pension liability	2.11%	3.30%	3.85%
University's proportionate share of the net pension liability	$ 95,689	$134,565	$101,229
University's covered-employee payroll	$101,047	$158,252	$188,067
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	94.70%	85.03%	53.82%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	77.30%	84.30%

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

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

(dollar amounts presented in thousands)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required contribution	$ 18,030	$ 19,769	$ 21,339
Contributions in relations to the contractually required contribution	$ (18,030)	$ (19,769)	$ (21,339)
Contribution deficiency	–	–	–
University's covered-employee payroll	$129,027	$139,962	$157,743
Contributions as a percentage of covered-employee payroll	13.97%	14.12%	13.53%

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

Changes of Benefit Terms. None

Changes of Assumptions. None

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

Schedule of Funding Progress for Other Postemployment Benefit Plans:

(dollar amounts presented in thousands)

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 Percentage of Covered Payroll ((b-a) / c)
July 1, 2016*	–	$ 244,371	$ 244,371	0.0%	$ 1,169,353	20.9%
July 1, 2015	–	294,446	294,446	0.0%	1,135,294	25.9%
July 1, 2014	–	336,524	336,524	0.0%	1,073,719	31.3%

*Adjustments have been made to the Actuarial Accrued Liability, normal cost, and expected benefit payments for actual provision and premium changes from 2015/16 to 2016/17, which caused a significant decrease in the university's liabilities. Effective January 1, 2017, the university restricted access to retiree health plan benefits exclusively to the PPO HDHP plan. Retirees are required to enroll in this plan immediately after becoming retired or after their COBRA eligibility ends.

Trustees and Administrative Officers of Indiana University

The Trustees of Indiana University
for fiscal year ended June 30, 2017

James T. Morris
Chair, Board of Trustees, Marion County
MaryEllen Kiley Bishop
Vice Chair, Hamilton County
W. Quinn Buckner
Member, Monroe County
Philip N. Eskew Jr.
Member, Kosciusko County
Michael J. Mirro
Member, Allen County
Andrew F. Mohr
Member, Marion County
Patrick A. Shoulders
Member, Vanderburgh County
Melanie S. Walker
Member, Monroe County
Anna M. Williams
Member, Monroe County (Student Trustee)

OFFICERS OF THE BOARD OF TRUSTEES

Deborah A. Lemon
Secretary
Jacqueline A. Simmons
Assistant Secretary
Donald S. Lukes
Treasurer
John A. Sejdinaj
Assistant Treasurer

Administrative Officers
for fiscal year ended June 30, 2017

THE PRESIDENTS AND VICE PRESIDENTS

Michael A. McRobbie
President of the University
Adam W. Herbert
President Emeritus of the University
Thomas Ehrlich
President Emeritus of the University
Kenneth R. R. Gros Louis
University Chancellor Emeritus

Assembly Hall, Bloomington


VNIVERSITATIS
INDIANENSIS
SIGILLVM
ET VERITAS
MDCCCXX

Additional Information

Additional copies of this report may be obtained from:

Office of the Vice President and
Chief Financial Officer
Bryan Hall 212
107 S. Indiana Avenue
Indiana University Bloomington, IN 47405-7000
https://vpcfo.iu.edu/

To print a PDF file of this report, go to https://vpcfo.iu.edu/resources/consolidated-annual-financial-reports.html

For additional information:

General Information
Vice President for Public Affairs and
Government Relations
Bryan Hall 300
107 S. Indiana Avenue
Bloomington, IN 47405-1211
http://pagr.iu.edu/

Financial Reporting
Associate Vice President and University Controller
Financial Management Services
Poplars 519
400 E. 7th Street
Indiana University
Bloomington, IN 47405-3085
https://fms.iu.edu/

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

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

Grants
Vice President for Research
Bryan Hall 300
107 S. Indiana Avenue
Bloomington, IN 47405
http://www.iu.edu/~vpr/contact.shtml

Athletics
Athletics Media Relations
Simon Skjodt Assembly Hall
1001 E. 17th Street
Indiana University
Bloomington, IN 47408
http://iuhoosiers.com

Alumni
Alumni Association
Virgil T. DeVault Alumni Center
1000 E. 17th Street
Indiana University
Bloomington, IN 47408-1521
http://alumni.iu.edu

IU BLOOMINGTON

IU EAST

IUPUI
INDIANAPOLIS

IU KOKOMO

IU NORTHWEST

IU SOUTH BEND

IU SOUTHEAST

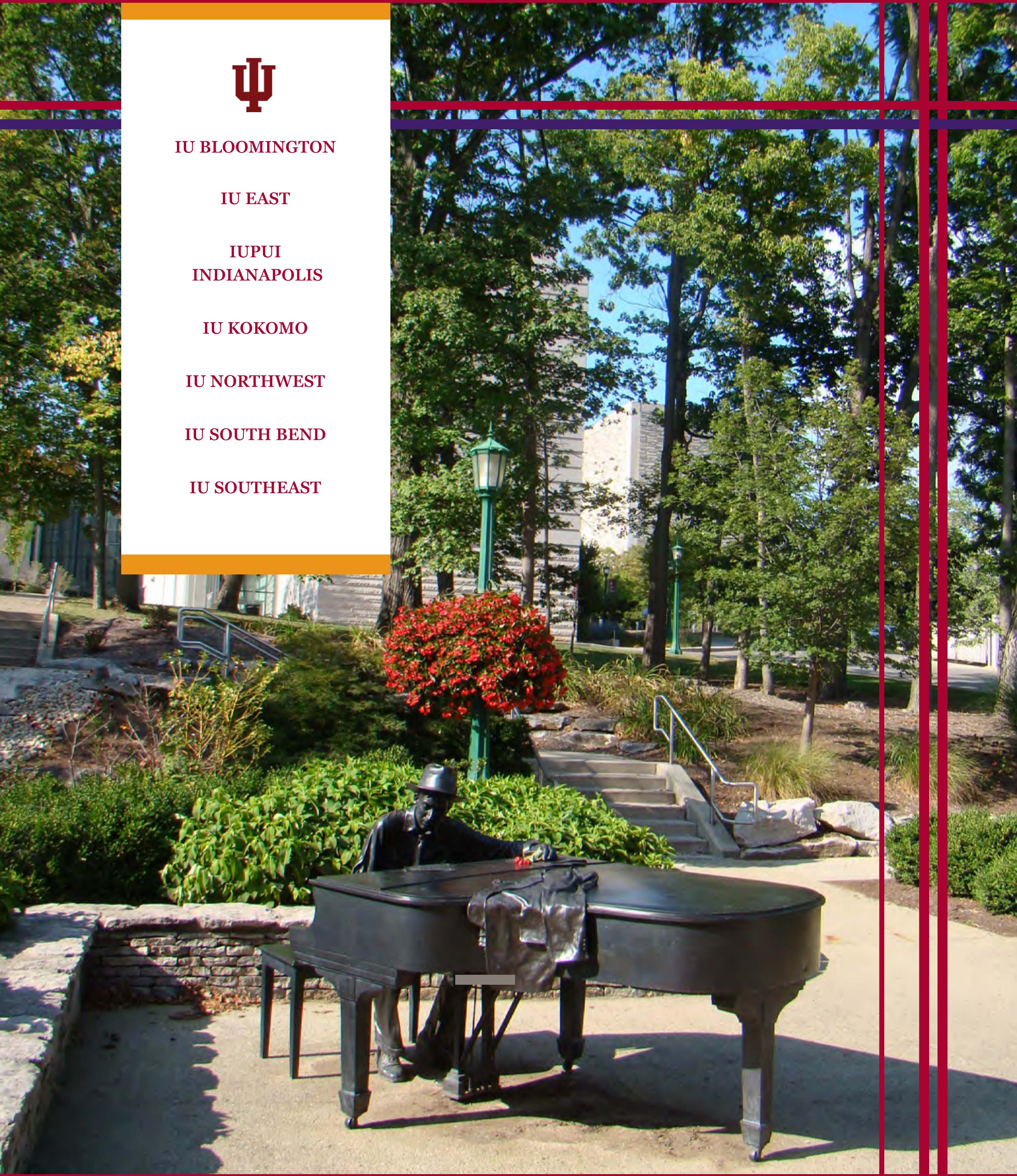


EXHIBIT B

CERTIFICATE RE: AUDITED FINANCIAL STATEMENTS

The undersigned, on behalf of The Trustees of Indiana University, as Obligor under the Amended and Restated Continuing Disclosure Undertaking Agreement, dated March 1, 2011, as supplemented (collectively, the "Restated Undertaking") hereby certifies that the enclosed herewith are the audited financial statements which are required to be provided pursuant to Section 5(a)(l) of the Restated Undertaking.

Dated: December 20, 2017

THE TRUSTEES OF INDIANA UNIVERSITY,
as Obligor

By: Donald S. Lukes

Name: Donald S. Lukes

Title: Treasurer

EXHIBIT C

CERTIFICATE RE: ANNUAL FINANCIAL INFORMATION DISCLOSURE

The undersigned, on behalf of The Trustees of Indiana University, as Obligor under the Amended and Restated Continuing Disclosure Undertaking Agreement, dated March 1, 2011, as supplemented (collectively, the "Restated Undertaking") hereby certifies that the information enclosed herewith constitutes the Annual Information (as defined in the Restated Undertaking) which is required to be provided pursuant to Section 5(a)(2) of the Restated Undertaking.

Dated: December 20, 2017

THE TRUSTEES OF INDIANA UNIVERSITY,
as Obligor

By: Donald S Lukes

Name: Donald S. Lukes

Title: Treasurer

Schedule I to Exhibits B and C

THE TRUSTEES of INDIANA UNIVERSITY (“INDIANA UNIVERSITY”)

This filing relates to the following bonds outstanding as of June 30, 2017 for the issues occurring in the month and year specified:

Indiana University Student Fee Bonds, Series O: March 2003
Indiana University Student Fee Bonds, Series S: February 2008
Indiana University Student Fee Bonds, Series T-2: April 2010
Indiana University Student Fee Bonds, Series U: July 2011
Indiana University Student Fee Bonds, Series V-1 & V-2: October 2012
Indiana University Student Fee Bonds, Series W-1 & W-2: January 2015
Indiana University Student Fee Bonds, Series X: August 2016

Indiana University Consolidated Revenue Bonds, Series 2008A: February 2008
Indiana University Consolidated Revenue Bonds, Series 2009A: April 2009
Indiana University Consolidated Revenue Bonds, Series 2010B: May 2010
Indiana University Consolidated Revenue Bonds, Series 2011A: March 2011
Indiana University Consolidated Revenue Bonds, Series 2012A: January 2012
Indiana University Consolidated Revenue Bonds, Series 2015A: April 2015
Indiana University Consolidated Revenue Bonds, Series 2016A: April 2016

Indiana University Certificates of Participation, Series 2009B: December 2009
Indiana University Certificates of Participation, Series 2012A: February 2012
Indiana University Certificates of Participation, Series 2013A: March 2013

Indiana University Lease Purchase Obligations, Series 2014A: February 2014
Indiana University Lease Purchase Obligations, Series 2015A: May 2015
Indiana University Lease Purchase Obligations, Series 2017A: March 2017