

**THE TRUSTEES of INDIANA UNIVERSITY (“INDIANA UNIVERSITY”)
Annual Disclosure Document
December 19, 2014**

This filing relates to the following bonds outstanding as of June 30, 2014 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 P: December 2004
Indiana University Student Fee Bonds, Series Q: June 2006
Indiana University Student Fee Bonds, Series R: June 2006
Indiana University Student Fee Bonds, Series S: February 2008
Indiana University Student Fee Bonds, Series T-1 & 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 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 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 Facility Revenue System Bonds, Series 2004: July 2004

Indiana University Student Residence System Bonds, Series 2004B: June 2004

Annual Financial Information Disclosure as of December 19, 2014
Exhibit A – Indiana University Student Fee Bonds, Series W-1 and W-2 Official Statement, dated December 10, 2014, including Audited Financial Statements for the Fiscal Year Ended June 30, 2014
Exhibit B – Certificate RE: Audited Financial Statements
Exhibit C – Certificate RE: Annual Financial Information Disclosure
Schedule I to Exhibits B and C

INDIANA UNIVERSITY
Annual Financial Information Disclosure as of December 19, 2014

Indiana University (the “University” or “IU”) is one of the largest universities in the nation. The University includes eight campuses, with core campuses in Bloomington and Indianapolis and regional campuses serving other areas of Indiana, which are located in Gary (“Northwest”), Fort Wayne (Indiana University Purdue University Fort Wayne) (“Fort Wayne” or “IPFW”), Kokomo, New Albany (“Southeast”), Richmond (“East”), and South Bend. The Bloomington campus is the oldest and largest campus of the University, 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. Indiana University and Purdue University jointly offer academic programs at IUPUI and Fort Wayne. The University has fiscal responsibility for IUPUI, and Purdue has fiscal responsibility for Fort Wayne.

Student Enrollment

The student enrollment information presented in the Indiana University Student Fee Bonds, Series W-1 and W-2 Official Statement, dated December 10, 2014 (see accompanying Exhibit A) has been updated to provide projected enrollment from the Fall 2014 Enrollment Study.

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

Total Actual Headcount Enrollment by Campus Including Fort Wayne

Fall Semester	Bloomington	IUPUI	Regionals Excl. IPFW	Enrollment		Total Enrollment
				IU Campuses	IPFW	
2010	42,464	30,566	28,211	101,241	8,204	109,445
2011	42,731	30,530	28,719	101,980	8,456	110,436
2012	42,133	30,451	29,483	102,067	8,326	110,393
2013	46,817 ¹	30,488	29,827	107,132 ¹	8,280	115,412 ¹
2014	46,416	30,690	29,106	106,212	8,158	114,370

Source: University Institutional Research and Reporting

¹ From fall 2013 forward, high school students who are taking college equivalent courses through the Advanced College Program (“ACP”) are reported within the headcount, Full-Time Equivalent (“FTE”), credit hours, and enrollment projections. The increase in fall 2013 enrollment for Total, IU Campuses, and Bloomington for headcount is partially due to the inclusion of ACP students on the Bloomington campus, which had previously not been included, accounting for a fall 2013 headcount enrollment increase of 4,466 versus fall 2012. IUPUI and regional campuses have counted these types of students in their enrollments for the entire period presented.

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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. The University no longer projects enrollments for the IPFW campus, which is administered by Purdue University.

Projected Headcount Enrollment by Campus Excluding Fort Wayne ¹

Fall Semester	Bloomington	IUPUI	Regionals Excl. IPFW	Enrollment IU Campuses
2015	47,170	31,243	29,057	107,470
2016	47,077	32,403	28,653	108,133
2017	46,873	32,870	28,243	107,986
2018	46,871	33,304	28,430	108,605

Source: University Institutional Research and Reporting

¹ The projections presented in this table were prepared based on the Fall 2014 Enrollment Study. No representation can be made as to the ability of the University to achieve these projections. Enrollment projections include ACP students on the Bloomington campus.

The following table sets forth the total actual 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 Annual Credit Hours Taken Excluding Fort Wayne

Fall Semester	Undergraduate	Graduate & Professional	Enrollment IU Campuses	Full-Time Equivalent	Fiscal Year Credit Hours ¹
Actual					
2010	80,356	20,885	101,241	81,842	2,552,669
2011	81,187	20,793	101,980	82,230	2,548,801
2012	81,974	20,093	102,067	81,728	2,528,810
2013	87,142 ²	19,990	107,132 ²	83,792 ²	2,578,686 ^{2,3}
2014	86,321	19,891	106,212	84,368	2,582,000 ⁴
Projected ⁴					
2015	87,785	19,775	107,560	86,159	2,582,000
2016	88,346	19,877	108,223	86,084	2,582,000
2017	88,227	19,849	108,076	86,497	2,582,000
2018	88,851	19,844	108,695	86,942	2,582,000

Source: University Institutional Research and Reporting

¹ From fall 2011 forward, the Total Annual Credit Hours Taken shown are for an academic calendar that groups the main semesters (fall and spring) with a trailing summer session. Prior years' numbers include the fall semester noted, the Summer II session that precedes it, and the spring semester and Summer I session of the subsequent year.

² The increases in fall 2013 headcount, fall 2013 FTE, and fiscal year 2013-14 credit hours are partially due to the inclusion of ACP students on the Bloomington campus, which had previously not been included. Fall 2013 headcount enrollment increased by 4,466 versus fall 2012 and FTE enrollment increased by approximately 1,300. IUPUI and regional campuses have counted these types of students in their enrollments for the entire period presented.

³ The figure reported in Indiana University Student Fee Bonds, Series W-1 and W-2 Official Statement, dated December 10, 2014 (see accompanying Exhibit A) included IU students attending the Fort Wayne campus.

⁴ The projections presented in this table were prepared based on the Fall 2014 Enrollment Study. No representation can be made as to the ability of the University to achieve these projections. Enrollment projections include ACP students on the Bloomington campus.

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Sources of Payment for Bonds

Available Funds

Available Funds are defined as (a) the Net Income of the Facilities, and (b) any and all other funds of Indiana University (the "University" or "IU") 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) certain prior encumbered revenues to the extent of such encumbrance; (iii) other specifically identified revenues or funds pledged or otherwise dedicated or restricted for other purposes; or (iv) moneys appropriated by the Indiana General Assembly and specifically authorized for other purposes or otherwise restricted by law. No assurance can be provided as to the availability or adequacy of any 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, Net Income of the Facilities and other Available Funds may be used to pay costs of facilities, financing expenses, other amounts payable under any credit facility, and other amounts payable (such as termination payments, etc.) under any derivative agreement.

The following table presents certain Available Funds balances, from which the University's Certificates of Participation, Consolidated Revenue Bonds, Facility Revenue Bonds, Lease Purchase Obligations, and Student Residence System Bonds are payable, as of the end of the fiscal year, for each of the past five years. There were Facility Revenue Bonds and Student Residence System Bonds outstanding as of June 30, 2014, but none outstanding as of the filing on December 19, 2014. Commercial Paper is also payable from Available Funds, but there was none outstanding over the period presented or as of December 2014.

Available Funds ^{1,2} (dollars in thousands)

Fiscal Year Ended June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Indiana University	\$946,248	\$1,146,834	\$1,342,930	\$1,397,686	\$1,498,553
Indiana University Foundation	<u>269,979</u>	<u>306,093</u>	<u>301,137</u>	<u>344,487</u>	<u>352,268</u>
Available Funds ^{1,2}	\$1,216,227	\$1,452,927	\$1,644,067	\$1,742,173	\$1,850,821

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

¹ Amounts include unrestricted net position of the University as of June 30 of each year. Unrestricted net position was referred to as unrestricted net assets for fiscal years ended 2010 through 2012. 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 The language used to define Available Funds varies slightly between the indentures for Lease Purchase Obligations (which also applies to Certificates of Participation) and Consolidated Revenue Bonds, however the calculation for the balance of Available Funds that are reported as of June 30 of each fiscal year is the same, irrespective of the indenture.

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Student Residence System Bonds

Below is the final disclosure for the Student Residence System Bonds. The University agreed not to issue any further bonds under the Student Residence System Bonds (“SRSB”) Indenture. Future revenue bonds for student residence facilities will be issued under I.C. 21-35-3 through the Consolidated Revenue Bonds (“CRB”) Indenture. The SRSB are no longer outstanding as of this filing in December 2014. Therefore, facilities mentioned in this section will cease to be facilities of the Student Residence System and will become facilities of the Consolidated Revenue System, which has no provision of annual financial information. The information below represents Annual Financial Information and Operating Data required for SRSB for bonds outstanding as of June 30, 2014.

General Information

The Student Residence System provides housing facilities, including residence halls, apartments, town homes and suites for students, faculty or staff, visiting faculty, and conference guests of the University, the revenues of which are pledged under the Indenture. The Student Residence System consists of twenty-one separate student residence facilities on the University's Bloomington and Indiana University Purdue University at Indianapolis campus (“IUPUI”) campuses. The Student Residence System has an aggregate capacity to house 11,430 residents. As of fall 2014, occupancy for the combined Student Residence System, which includes certain facilities on the Bloomington and IUPUI campuses, is 99%.

The facilities that comprise the Student Residence System, and their capacities as of fall 2014, are:

Bloomington Campus	<u>Capacity</u>	IUPUI Campus	<u>Capacity</u>
Ashton –West	470	Ball Residence Hall	324
BBHN Apartments	141	Campus Apartments on the Riverwalk	756
Briscoe	708	Town Homes at IUPUI	<u>56</u>
Campus View	223	IUPUI System Capacity	<u>1,136</u>
Collins	436		
Evermann Apartments	142		
Forest	1,037		
Foster	1,193		
Hillcrest	42		
Mason	87		
McNutt	1,335		
Read	984		
Redbud Hill	128		
Teter	1,180		
Tulip Tree	215		
University Apartments	117		
Willkie	847		
Wright	<u>1,009</u>		
Bloomington System Capacity	10,294		
Total System Capacity			<u>11,430</u>

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

Certain student residence facilities are excluded in the Student Residence System because the facilities were either being converted to use as office space or the facilities were financed under the CRB indenture. On the Bloomington campus, those facilities are Eigenmann (capacity 709), Union Street Center (capacity 826), Third and Union Apartments (capacity 102), and Rose Residence Hall (capacity 442).

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Financial Operations (Student Residence System)

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

Summary of Revenues and Operating Costs Fiscal Years Ended June 30 (dollars in thousands)

Fiscal Year Ended June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Income	\$62,749	\$63,396	\$70,413	\$74,821	\$75,563
Revenue Fund Adjustment ¹	<u>338</u>	<u>347</u>	<u>252</u>	<u>159</u>	<u>169</u>
Adjusted Gross Income	\$63,086	\$63,743	\$70,665	\$74,980	\$75,732
Operations & Maintenance Expenses ²	<u>41,868</u>	<u>41,070</u>	<u>43,455</u>	<u>46,446</u>	<u>48,354</u>
Net (Pledged) Income	\$21,218	\$22,673	\$27,210	\$28,534	\$27,378
Annual Debt Service Requirement ³	\$ 1,350	\$ 1,390	\$ 1,010	\$ 634	\$ 678
Other Uses of Net Income ⁴	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 1,350	\$ 1,390	\$ 1,010	\$ 634	\$ 678
Debt Coverage Ratio ⁵	15.71	16.31	26.94	44.97	40.39

Source: Audited IU Financial Report; Office of the Treasurer

¹ Includes amounts on deposit in the Student Residence System's Revenue Fund up to 25% of annual debt service.

² Excludes depreciation expense.

³ The reductions in the annual debt service requirement resulted from the University refunding SRSB with CRB. The facility refunded remained in the Student Residence System. The CRB indenture does not include the same coverage calculation requirements as the SRSB indenture.

⁴ Other Uses of Net Income represent capital expenditures on facilities in the Student Residence System in excess of amounts on hand in related reserve funds as of the beginning of the fiscal year.

⁵ As calculated per the annual net income coverage covenant requirement.

As of June 30, 2014, the cash balances in the various accounts comprising the Student Residence System's Revenue Fund, consisting of operating and reserve cash balances, total approximately \$97,974,000. The comparable cash balances in these accounts as of June 30, 2013 totaled approximately \$90,034,000. These cash balances will be used for facilities in the Consolidated Revenue System going forward.

Facility Revenue System Bonds

Below is the final disclosure for the Facility Revenue System Bonds. The University has agreed not to issue any further bonds under the Facility Revenue Bonds ("FRB") Indenture. Future revenue bonds for parking facilities will be issued under I.C. 21-35-3 through the CRB Indenture. The FRB are no longer outstanding as of this filing in December 2014. Therefore, facilities mentioned in this section will cease to be facilities of the Facility Revenue System and will become facilities of the Consolidated Revenue System, which has no provision of annual financial information. The information below represents Annual Financial Information and Operating Data required for FRB outstanding as of June 30, 2014.

General Information

The Facility Revenue System consists of various parking facilities located within the University's Bloomington, IUPUI, Kokomo and South Bend campuses. All parking areas and parking facilities, except visitor lots, on all University campuses are designated by coding corresponding to the permit type. Permits indicate the specific areas in which the permit holder may park. Parking areas are assigned on each campus based on the needs

of the various user groups identified by the University, including faculty, staff, students, handicapped-accessible, visitor, etc.

The permit figures for the Facility Revenue System reported below are on faculty, staff, student and visitor or special permits as of the date indicated. Additional faculty/staff and student permits may continue to be sold throughout the fiscal year. Student permits are typically sold at the beginning of the fall semester, spring semester, and summer sessions.

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

The information below relates to the parking facilities included in the Facility Revenue System on the respective campus:

Bloomington

Bloomington facilities within the Facility Revenue System provide parking for faculty, staff, students and visitors to the Bloomington campus. Parking is available at four garages, providing an estimated 2,553 garage spaces, and at various surface lots providing an estimated 16,642 spaces, for a total of 19,195 parking spaces. There are an additional 520 garage spaces in one garage on the Bloomington campus that are not included in the Bloomington Parking System for purposes of the Facility Revenue Bond indenture. All parking on the Bloomington campus requires a permit or is cashier controlled. Permits are sold to faculty, staff and students. Permits sold through September 30, 2014, for fiscal year 2014-15, are estimated at 10,429 faculty/staff permits and 8,392 student permits, for a total of 18,821 permits. The cost of a permit varies by type. Faculty/staff permits cost from \$158 to \$454 per year. The typical full-time student permit costs \$133 per year.

IUPUI

The IUPUI facilities within the Facility Revenue System provide parking for all faculty, staff, students and visitors to the IUPUI campus. Parking is available at eight garages, providing an estimated 8,062 garage spaces, and at various surface lots providing an estimated 8,145 spaces, for a total of 16,207 (14,789 on campus) parking spaces. There are an additional 4,171 garage spaces in three garages that are excluded from the IUPUI Parking System for purposes of the Facility Revenue Bond indenture. All parking on the IUPUI campus requires a permit, or is metered or cashier controlled. Permits are sold to faculty, staff, students and/or visitors. Permits sold through September 30, 2014, for fiscal year 2014-15, are estimated at 11,272 faculty/staff permits and 16,259 student permits, and 2,116 special permits for a total of 30,101 permits. The cost of a permit varies by type. Faculty/staff permits cost from \$300 to \$792 per year. Faculty/staff reserved spaces cost \$1,584 per year. A typical full-time student permit costs \$336 per year.

Kokomo

The Kokomo facilities within the Facility Revenue System provide parking for all faculty, staff, students and visitors to the Kokomo campus. Parking is available at one garage, providing an estimated 388 garage spaces, and at various surface lots providing an estimated 989 spaces, for a total of 1,377 parking spaces. All parking on the Kokomo campus, with the exception of visitor parking, requires a permit. Permits are sold to faculty, staff and students. Permits sold through September 30, 2014, for fiscal year 2014-15, are estimated at 433 faculty/staff permits, and 2,666 student permits, for a total of 3,099 permits. The cost of a permit varies by type. Student permits are priced according to the number of credit hours enrolled. A typical full-time student permit costs \$106 per year. Faculty/staff permits range in price from \$106 to \$369 per year.

South Bend

The South Bend facilities within the Facility Revenue System provide parking for all faculty, staff, students and visitors to the South Bend campus. Parking is available at one garage, providing an estimated 695 garage spaces, and at various surface lots providing an estimated 1,908 spaces, for a total of 2,603 parking spaces. All parking on the South Bend campus requires a permit or is cashier controlled. Permits are sold to faculty, staff and students. Permits sold through September 30, 2014, for fiscal year 2014-15, are estimated at 801 faculty/staff permits and 5,267 student permits, for a total of 6,068 permits. The cost of a permit varies by type. Student permits are priced according to the number of credit hours enrolled. A typical full-time student permit costs \$137 per year. Staff permits range in price from \$172 to \$516 per year.

Certain parking facilities are excluded in the Facility Revenue System because the facilities were financed under the CRB indenture. On the Bloomington campus, the Henderson Garage (spaces 520) is such a facility. On the IUPUI campus, facilities are the Gateway Garage (spaces 1,299), Riverwalk Garage (spaces 1,300), Tower Garage (spaces 372), and Lockfield Garage (former Wishard Garage) (spaces 1,200).

Financial Operations (Facility Revenue System)

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

Summary of Revenues and Operating Costs
Fiscal Years Ended June 30

Fiscal Year Ended June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Income	\$19,727	\$22,742	\$25,077	\$25,508	\$25,627
Revenue Fund Adjustment ¹	<u>967</u>	<u>969</u>	<u>865</u>	<u>817</u>	<u>834</u>
Adjusted Gross Income	\$20,694	\$23,711	\$25,942	\$26,325	\$26,461
Operating & Maintenance Expenses ²	<u>11,285</u>	<u>12,976</u>	<u>13,079</u>	<u>12,734</u>	<u>13,481</u>
Net (Pledged) Income	\$ 9,409	\$10,735	\$12,863	\$13,591	\$12,980
Annual Debt Service Requirement ³	\$ 3,868	\$ 3,875	\$ 3,458	\$ 3,268	\$ 3,335
Other Uses of Net Income ⁴	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 3,868	\$ 3,875	\$ 3,458	\$3,268	\$3,335
Debt Coverage Ratio ⁵	2.43	2.77	3.72	4.16	3.89

Source: Audited IU Financial Report; Office of the Treasurer

¹ Includes amounts on deposit in the Facility Revenue System's Revenue Fund up to 25% of annual debt service.

² Excludes depreciation expense.

³ The reduction in the annual debt service requirement resulted from the University refunding FRB with CRB. The CRB indenture does not include the same coverage calculation requirements as the FRB indenture. The facility refunded remains in the Facility Revenue System.

⁴ Other Uses of Net Income represents capital expenditures on facilities in the Facility Revenue System in excess of amounts on hand in related reserve funds as of the beginning of the fiscal year.

⁵ As calculated per the annual net income coverage covenant requirement.

As of June 30, 2014, the cash balances in the various accounts comprising the Facility Revenue System's Revenue Fund, consisting of operating and reserve cash balances, total approximately \$28,986,000. The comparable cash balances in these accounts as of June 30, 2013 was approximately \$26,542,000. These cash balance will be used for facilities in the Consolidated Revenue System going forward.

Exhibit A – Indiana University Student Fee Bonds, Series W-1 and W-2 Official Statement, dated December 10, 2014, including Audited Financial Statements for the Fiscal Year Ended June 30, 2014

**New and Refunding Issue
Book-Entry-Only**

**Ratings: Moody's: "Aaa"; "S&P: "AA+"
See "RATINGS"**

In the opinion of Ice Miller LLP, Indianapolis, Indiana, and Coleman Stevenson, LLP, Indianapolis, Indiana, Co-Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series W Bonds (as hereinafter defined) will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. This opinion is based on certain certifications, covenants and representations of the University and others, and is conditioned on continuing compliance therewith. In the opinion of Co-Bond Counsel, under existing laws, interest on the Series W Bonds will be exempt from income taxation in the State of Indiana. See "TAX MATTERS" and Appendix E.



\$58,960,000
Indiana University Student Fee Bonds
Series W-1 (Green Bonds)

\$62,765,000
Indiana University Student Fee Bonds
Series W-2 (Refunding Bonds)

Dated: Date of delivery

Due: August 1, as shown on the inside cover

The Indiana University Student Fee Bonds, Series W-1 (Green Bonds) (the "Series W-1 Bonds") and the Indiana University Student Fee Bonds, Series W-2 (Refunding Bonds) (the "Series W-2 Bonds" and, together with the Series W-1 Bonds, the "Series W Bonds"), will be issued by The Trustees of Indiana University (the "University") only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series W Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series W Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series W Bonds. The Series W Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Series W Bonds is payable on August 1, 2015, and each February 1 and August 1 thereafter. Principal of and interest on the Series W Bonds, together with any premium thereon, will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), so long as DTC or its nominee is the registered owner of the Series W Bonds. The final disbursements of such payments to the Beneficial Owners of the Series W Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as described herein. See "DESCRIPTION OF SERIES W BONDS—Book-Entry-Only System."

Certain of the Series W Bonds are subject to redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF SERIES W BONDS—Redemption."

The Series W Bonds are being issued pursuant to resolutions adopted by the Board of Trustees of the University on October 10, 2014, and by its Finance, Audit and Strategic Planning Committee on November 19, 2014, and a Trust Indenture dated as of October 1, 1985, as previously supplemented and amended, and as further supplemented by a Twenty-Second Supplemental Indenture dated as of January 1, 2015 (collectively, the "Indenture"), between the University and the Trustee. The proceeds of the Series W Bonds will be used to (a) finance or refinance all or any portion of the costs of the acquisition, construction or equipping of (i) a new arts and sciences building on the Northwest Campus and (ii) renovations to Franklin Hall on the Bloomington Campus; (b) refund certain of the University's outstanding Indiana University Student Fee Bonds, as more fully described herein; and (c) pay certain related costs. See "PLAN OF FINANCE."

The Series W Bonds, together with all Indiana University Student Fee Bonds heretofore or hereafter issued on a parity therewith, are limited obligations of the University, payable solely from and secured exclusively by a pledge of and parity first lien on Student Fees (as defined herein) and certain funds pledged under the Indenture. The Series W Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the University or the State of Indiana, except to the extent of the pledge of Student Fees and certain funds pledged under the Indenture for payment of Series W Bonds. See "SECURITY FOR SERIES W BONDS."

A detailed maturity schedule is set forth on the inside cover.

This cover page contains certain information for quick reference only. It is **not** a summary of this issue. Investors must read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

The Series W Bonds are being offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Ice Miller LLP, Indianapolis, Indiana, and Coleman Stevenson, LLP, Indianapolis, Indiana, Co-Bond Counsel. Certain legal matters will be passed upon for the University by Jacqueline A. Simmons, Esq., Bloomington, Indiana, Vice President and General Counsel to the University, and for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana. It is expected that the Series W Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about January 14, 2015.

Morgan Stanley

J.P. Morgan

City Securities Corporation

Loop Capital Markets

Maturity Schedule
\$58,960,000
Indiana University Student Fee Bonds
Series W-1 (Green Bonds)

<u>Principal Amount</u>	<u>Due August 1</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP¹</u>
\$1,800,000	2015	3.000%	101.530%	0.200%	455168AA2
1,985,000	2016	4.000	105.595	0.370	455168AB0
2,065,000	2017	4.000	108.422	0.660	455168AC8
2,165,000	2018	5.000	114.055	0.960	455168AD6
845,000	2019	3.000	107.711	1.250	455168AE4
1,420,000	2019	5.000	116.525	1.250	455168AW4
2,335,000	2020	2.000	102.597	1.510	455168AF1
2,405,000	2021	4.000	113.993	1.730	455168AG9
2,515,000	2022	5.000	121.542	1.920	455168AH7
2,645,000	2023	5.000	122.844	2.070	455168AJ3
2,780,000	2024	5.000	124.284	2.170	455168AK0
2,925,000	2025	5.000	122.927*	2.310*	455168AL8
3,075,000	2026	5.000	122.065*	2.400*	455168AM6
3,235,000	2027	5.000	121.399*	2.470*	455168AN4
3,380,000	2028	4.000	110.079*	2.790*	455168AP9
3,520,000	2029	4.000	109.639*	2.840*	455168AQ7
3,660,000	2030	4.000	108.766*	2.940*	455168AR5
3,815,000	2031	4.000	108.333*	2.990*	455168AS3
3,965,000	2032	4.000	107.902*	3.040*	455168AT1
4,130,000	2033	4.000	107.045*	3.140*	455168AU8
4,295,000	2034	4.000	106.620*	3.190*	455168AV6

*Priced to the August 1, 2024, par call.

\$62,765,000
Indiana University Student Fee Bonds
Series W-2 (Refunding Bonds)

<u>Principal Amount</u>	<u>Due August 1</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP¹</u>
\$4,130,000	2019	5.000%	116.525%	1.250%	455168AX2
4,335,000	2020	5.000	118.503	1.510	455168AY0
4,550,000	2021	5.000	120.158	1.730	455168AZ7
4,785,000	2022	5.000	121.542	1.920	455168BA1
625,000	2023	4.000	115.047	2.070	455168BB9
7,085,000	2023	5.000	122.844	2.070	455168BM5
3,850,000	2024	4.000	115.702	2.170	455168BC7
4,215,000	2024	5.000	124.284	2.170	455168BN3
8,465,000	2025	5.000	122.927*	2.310*	455168BD5
8,895,000	2026	5.000	122.065*	2.400*	455168BE3
2,940,000	2027	5.000	121.399*	2.470*	455168BF0
1,785,000	2028	4.000	110.079*	2.790*	455168BG8
1,865,000	2029	5.000	120.267*	2.590*	455168BH6
1,960,000	2030	5.000	119.800*	2.640*	455168BJ2
2,060,000	2031	5.000	119.334*	2.690*	455168BK9
1,220,000	2032	5.000	118.871*	2.740*	455168BL7

*Priced to the August 1, 2024, par call.

¹ Copyright 2014, American Bankers Association. CUSIP data herein provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers are provided for convenience and reference only. Neither the University nor the Underwriters are responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Series W Bonds or as indicated above.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE UNIVERSITY OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE UNIVERSITY OR THE UNDERWRITERS. THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM THE UNIVERSITY AND OTHER SOURCES CONSIDERED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITERS. ANY INFORMATION OR EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE OF THE SERIES W BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE UNIVERSITY SINCE THE DATE OF THIS OFFICIAL STATEMENT.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH AND AS A PART OF THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE SERIES W BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE UNIVERSITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES W BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES W BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES W BONDS IN ANY JURISDICTION IN WHICH OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

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**OFFICIAL STATEMENT
relating to**

**\$58,960,000
Indiana University Student Fee Bonds
Series W-1 (Green Bonds)**

**\$62,765,000
Indiana University Student Fee Bonds
Series W-2 (Refunding Bonds)**

INTRODUCTION

This Official Statement, including the cover page and the appendices, is furnished by The Trustees of Indiana University (the "University") to provide information concerning the offering of \$58,960,000 aggregate principal amount of its Indiana University Student Fee Bonds, Series W-1 (Green Bonds) (the "Series W-1 Bonds"), and \$62,765,000 aggregate principal amount of its Indiana University Student Fee Bonds, Series W-2 (Refunding Bonds) (the "Series W-2 Bonds" and, together with the Series W-1 Bonds, the "Series W Bonds").

University

The University was founded in 1820 and is one of the largest state-supported universities in the United States. Indiana University includes eight campuses with core campuses located in Bloomington and Indianapolis and with other campuses located in Gary, South Bend, Fort Wayne, Kokomo, Richmond and New Albany. The University is governed by a nine member Board of Trustees which, under various enabling statutes, has the decision and policy-making authority to carry out the programs of the University, approve the budget and establish all student fees and charges. See Appendix A, "INDIANA UNIVERSITY."

Series W Bonds

The Series W Bonds are being issued by the University to provide funds to (a) finance or refinance a portion of the costs of the acquisition, construction or equipping of (i) a new arts and sciences building on the Northwest Campus and (ii) renovations to Franklin Hall on the Bloomington Campus; (b) refund certain of the University's outstanding Indiana University Student Fee Bonds more particularly described in Appendix F hereto (the "Refunded Bonds"); and (c) pay certain related costs, including costs of issuance. See "PLAN OF FINANCE."

The Series W Bonds are authorized pursuant to Indiana Code 21-34-6 through 21-34-10 and Indiana Code 5-1-5, each as amended (the "Act"). The Act empowers the University to sell bonds to (i) acquire, erect, construct, reconstruct, improve, rehabilitate, remodel, repair, complete, extend, enlarge, furnish, equip and operate certain buildings, structures, improvements or facilities necessary for carrying on the purposes of the University; and (ii) refund outstanding bonds, notes and other obligations issued pursuant to the Act or other applicable law for such buildings, structures, improvements or facilities. The Series W Bonds are being issued pursuant to resolutions adopted by the Board of Trustees of the University on October 10, 2014, and by its Finance, Audit and Strategic Planning Committee on November 19, 2014 (collectively, the "Resolutions"), and in accordance with the provisions of a Trust Indenture, dated as of October 1, 1985 (the "Original Indenture"), as previously supplemented and amended, and as further supplemented by a Twenty-Second Supplemental Indenture dated as of January 1, 2015 (collectively, the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Series W Bonds, together with \$317,825,449 aggregate outstanding principal amount of Indiana University Student Fee Bonds (including the accreted value of certain outstanding capital appreciation bonds as of December 1, 2014, and after giving effect to the issuance of the Series W Bonds and the refunding and defeasance of the Refunded Bonds), and any additional bonds hereafter issued on parity therewith (collectively, "Parity Bonds"), are limited obligations of the University, payable solely from and secured exclusively by a pledge of and parity first lien on certain pledged funds (the "Pledged Funds"), including: (i) all academic fees (including tuition), however denominated, assessed by the University against students attending Indiana University, except certain dedicated fees and other fees released from the lien of the Indenture (such academic fees, subject to such exceptions, the "Student Fees"); and (ii) to the extent provided in the Indenture, the funds created under the Indenture which are

held by the Trustee, except that neither the Series W Bonds nor any currently outstanding Parity Bonds (except the Series I Bonds (as defined in Appendix C)) have any claim on the Reserve Fund (as defined in Appendix C) established under the Original Indenture or any other reserve fund. Additional Parity Bonds issued in the future may or may not have a claim on the Reserve Fund. See “SECURITY FOR Series W Bonds.” The University may issue additional bonds under the Indenture (“Additional Bonds”), consisting of either Parity Bonds or bonds subordinated to Parity Bonds as to principal and interest repayment (“Subordinated Bonds”), which are payable out of Student Fees and other Pledged Funds (all obligations issued under the Indenture which are payable out of Student Fees and other Pledged Funds, including all Parity Bonds and any Subordinated Bonds, collectively, the “Bonds”). See “SECURITY FOR SERIES W BONDS—Issuance of Additional Bonds.”

The Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the University or the State of Indiana (the “State”), except to the extent of the pledge of Student Fees and other Pledged Funds. See “SECURITY FOR SERIES W BONDS.”

The Series W Bonds will be issued only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. When issued, the Series W Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series W Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series W Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interests in the Series W Bonds. Interest on the Series W Bonds, together with the principal thereof, will be paid by the Trustee directly to DTC or its nominee, so long as DTC or its nominee is the registered owner of the Series W Bonds. The final disbursements of such payments to the Beneficial Owners of the Series W Bonds will be the responsibility of the DTC Participants and the Indirect Participants (each as herein defined). Transfer of ownership interests in the Series W Bonds will be accomplished by book entry by DTC. See “DESCRIPTION OF SERIES W BONDS—Book-Entry-Only System.”

DESCRIPTION OF SERIES W BONDS

General

The Series W Bonds will be issued in the aggregate principal amount of \$121,725,000 and will be dated and bear interest from the date of delivery thereof. Interest on the Series W Bonds will be payable in arrears on August 1, 2015, and each February 1 and August 1 thereafter (each such date, an “Interest Payment Date”, and at maturity or upon earlier redemption. The Series W Bonds will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series W Bonds will be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof.

The principal of and premium, if any, on each Series W Bond will be payable upon presentation and surrender thereof by the registered owners thereof (the “Bondholders”) (such Bondholders being DTC or its nominee for so long as the Series W Bonds are held in book-entry-only form) at the Principal Operations Office of the Trustee. Interest on the Series W Bonds will be paid by check of the Trustee mailed on the business day prior to each Interest Payment Date to the Bondholders appearing on the registration books maintained by the Trustee as of the close of business on the fifteenth day of the month immediately preceding such Interest Payment Date (the “Record Date”). Bondholders of at least \$1,000,000 in principal amount may, however, request in writing that such payment be made by ACH (as defined in Appendix C) or wire transfer, with settlement on such Interest Payment Date, to an account located in the continental United States, which account is specified in writing prior to the Record Date for such Interest Payment Date, and upon compliance with the reasonable regulations of the Trustee. Any payment made by ACH or wire transfer which is not accepted by the receiving bank may be sent by check.

Each Series W Bond will bear interest from the Interest Payment Date next preceding its authentication date, unless (i) such authentication date is prior to the close of business on the Record Date preceding the first Interest Payment Date, in which case such Series W Bond will bear interest from the date of delivery thereof, (ii) such date of authentication is an Interest Payment Date to which interest on the Series W Bonds has been paid in full or duly provided for, in which case such Series W Bond will bear interest from such date of authentication, or (iii) such date of authentication is after the close of business on a Record Date and before the next Interest Payment

Date, in which case such Series W Bond will bear interest from such Interest Payment Date. However, if interest on any Series W Bonds is in default, Series W Bonds issued in exchange for such Series W Bonds surrendered for transfer or exchange will bear interest from the last date to which interest has been paid in full on the Series W Bonds or, if no interest has been paid on the Series W Bonds, from the date of delivery thereof.

So long as the Series W Bonds are held in book-entry-only form, payments of principal of and premium, if any, and interest on the Series W Bonds will be paid by the Trustee only to DTC or its nominee by wire transfer on the payment date in same-day funds. Neither the University nor the Trustee will have any responsibility for a Beneficial Owner's receipt from DTC or its nominee, or from any DTC Participant or Indirect Participant, of any payments of principal of or interest on any Series W Bonds. See "Book-Entry-Only System."

Redemption

Optional Redemption. The Series W Bonds maturing on or after August 1, 2025, are subject to redemption prior to maturity at the option of the University at any time on or after August 1, 2024, in whole or in part, in any order of maturity designated by the University (less than all of such Series W Bonds of a particular maturity to be selected by lot in such manner as may be designated by the Trustee), at a redemption price of 100% of the principal amount of each Series W Bond to be redeemed, plus accrued interest to the date fixed for redemption.

Selection of Bonds to be Redeemed. For so long as the Series W Bonds are registered to DTC or its nominee, if less than all of the Series W Bonds of either series within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. See "Book-Entry-Only System." If the Series W Bonds are no longer registered to DTC or its nominee, the Trustee will select, in such a manner as in the Trustee's sole discretion it deems appropriate and fair, within each maturity of Series W Bonds of either series to be redeemed, the Series W Bonds or portions of Series W Bonds of such series and maturity to be redeemed. If the owner of any such Series W Bond fails to present such Series W Bond to the Trustee for payment and exchange, such Series W Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the principal amount called for redemption. In case a Series W Bond of a denomination larger than \$5,000 is to be redeemed, the principal amount not being redeemed must be in a denomination of \$5,000 of any integral multiple thereof. Upon surrender of any Series W Bond of either series for redemption in part only, the University will execute and the Trustee will authenticate and deliver to the registered owner thereof, at the expense of the University, a new Series W Bond or Series W Bonds of such series in authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Series W Bond surrendered.

Notice of Redemption. Notice of redemption of the Series W Bonds will be given by the Trustee by mailing a copy of the redemption notice by first-class mail not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered owner of each Series W Bond to be redeemed (such Bondholder being DTC or its nominee for so long as the Series W Bonds are held in book-entry-only form) at the address shown in the registration books. However, failure to give such notice, or any defect therein, with respect to any Series W Bond will not affect the validity of any proceedings for the redemption of other Series W Bonds. If for any reason it is impossible or impractical to mail such notice of call for redemption in the manner described above, then such mailing in lieu thereof as is made at the direction of the University will constitute sufficient notice. On and after the redemption date specified in the notice of redemption, the Series W Bonds or portions thereof called for redemption (provided funds for their redemption are on deposit at the place of payment) will not bear interest, will no longer be protected by the Indenture and will not be deemed to be outstanding under the provisions of the Indenture, and the holders thereof will have the right to receive only the redemption price thereof, plus accrued interest thereon to the date fixed for redemption.

So long as the Series W Bonds are held in book-entry-only form, the Trustee will mail notices of redemption of Series W Bonds only to DTC or its nominee, in accordance with the preceding paragraph. Neither the University nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Participant or Indirect Participant, of any notices of redemption. See "Book-Entry-Only System."

Release Concerning Redeemed Series W Bonds. If the amount necessary to redeem any Series W Bonds called for redemption has been deposited with the Trustee for that purpose on or before the date specified for such

redemption, and if the notice of redemption has been duly given and all proper charges and expenses of the Trustee in connection with such redemption have been paid or provided for, the University will be released from all liability on such Series W Bonds, and such Series W Bonds will no longer be deemed to be outstanding under the Indenture. Thereafter, such Series W Bonds will not be secured by the lien of the Indenture, and the holders thereof must look only to the Trustee for payment thereof.

Open Market Purchases. At its option, the University may, at any time not less than 45 days prior to any redemption date designated by the University, (a) deliver to the Trustee Series W Bonds purchased with available moneys of the University and (b) instruct the Trustee to apply the principal amount of such Series W Bonds so delivered for credit at 100% of the principal amount thereof against the principal amount of Series W Bonds of the same maturity to be redeemed on such redemption date.

Registration, Transfer and Exchange

The University will cause books for the registration and the transfer and exchange of the Series W Bonds to be kept by the Trustee. The University, the Trustee and any paying agent may deem and treat the person in whose name any Series W Bond is registered as the absolute owner of such Series W Bond (such person being DTC or its nominee, for so long as the Series W Bonds are held in book-entry-only form), for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the University, the Trustee nor any paying agent will be affected by any notice to the contrary.

The owner of any Series W Bonds (such owner being DTC or its nominee, for so long as the Series W Bonds are held in book-entry-only form) may transfer or exchange such Series W Bonds by surrendering such Series W Bonds at the principal operations office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Trustee, and duly executed by such Bondholder or such Bondholder's attorney duly authorized in writing. Upon any such surrender for transfer or exchange, the University will execute, and the Trustee will authenticate and deliver, in the name of the transferee or exchangee, as appropriate, a new Series W Bond or Series W Bonds of the same series and maturity for a like aggregate principal amount or for a like aggregate amount of Series W Bonds of other authorized denominations of the same series and maturity. The Trustee will not be required to transfer or exchange any Series W Bond (i) during the 15 days prior to any Interest Payment Date, (ii) from the date of mailing of notice calling such Series W Bond for redemption or (iii) during a period of 15 days next preceding mailing of a notice of redemption of any Series W Bond. No service charge or payment will be required to be made by the owner of any Series W Bond requesting registration, transfer or exchange of such Series W Bond, but the University and the Trustee may require payment of a sum sufficient to cover any tax, fee or other governmental charge required to be paid with respect to such registration, transfer or exchange. The execution by the University of any Series W Bond of any denomination will constitute full and due authorization of such domination, and the Trustee will thereby be authorized to authenticate and deliver such Series W Bond.

So long as the Series W Bonds are held in book-entry-only form, the Series W Bonds will be registered in the name of DTC or its nominee, and the University and the Trustee will deem and treat DTC or its nominee as the absolute owner of the Series W Bonds for all purposes whatsoever. The Trustee will transfer and exchange Series W Bonds only on behalf of DTC or its nominee, in accordance with the preceding paragraph. Neither the University nor the Trustee will have any responsibility for registering, transferring or exchanging any Beneficial Owners' interests in the Series W Bonds. See "Book-Entry-Only System."

Book-Entry-Only System

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES W BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS (OR THE OWNERS) OF THE SERIES W BONDS ARE TO CEDE & CO. AND NOT TO THE BENEFICIAL OWNERS.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series W Bonds. The Series W Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

One fully-registered Series W Bond certificate will be issued for each maturity of the Series W Bonds of each series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series W Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series W Bonds on DTC's records. The ownership interest of each actual purchaser of each Series W Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series W Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series W Bonds, except in the event that use of the book-entry system for the Series W Bonds is discontinued.

To facilitate subsequent transfers, all Series W Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series W Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series W Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series W Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series W Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series W Bonds, such as defaults, redemptions, tenders and proposed amendments to the security documents. For example, Beneficial Owners of Series W Bonds may wish to ascertain that the nominee holding the Series W Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series W Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series W Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus

Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series W Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series W Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series W Bonds at any time by giving reasonable notice to the University or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series W Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series W Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but neither the University nor the Underwriters take any responsibility for the accuracy thereof.

Revision of Book-Entry-Only System. In the event that either (1) the University receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series W Bonds or (2) the University elects to discontinue its use of DTC as a clearing agency for the Series W Bonds, then the University and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series W Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series W Bonds and to transfer the ownership of each of the Series W Bonds to such person or persons, including any other clearing agency, as the holder of such Series W Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series W Bonds, will be paid by the University.

SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the Series W Bonds is shown below:

Sources of Funds	<u>Series W-1 Bonds</u>	<u>Series W-2 Bonds</u>
Principal Amount	\$ 58,960,000	\$ 62,765,000
Original Issue Premium	7,383,566	12,880,259
University Contribution	<u>0</u>	<u>1,620,342</u>
Total Sources	\$ 66,343,566	\$ 77,265,601
Uses of Funds		
Green Bond Projects ¹	\$ 66,000,000	\$ 0
Deposit to refund Refunded Bonds ²	0	76,873,456
Costs of Issuance ³	<u>343,566</u>	<u>392,145</u>
Total Uses	\$ 66,343,566	\$ 77,265,601

¹ See "PLAN OF FINANCE—Green Bond Projects."

² See "PLAN OF FINANCE—Refunding Program."

³ Including underwriters' discount, legal fees and expenses, printing expenses, Trustee fees and expenses, and other expenses.

PLAN OF FINANCE

The Series W Bonds are being issued for the purpose of providing funds to (a) finance a portion of the costs of the acquisition, construction or equipping of (i) a new arts and sciences building on the Northwest Campus and (ii) renovations to Franklin Hall on the Bloomington Campus; (b) refund the Refunded Bonds, described in Appendix F hereto; and (c) pay certain related costs, including costs of issuance.

Green Bond Projects

A portion of the proceeds of the Series W-1 Bonds will be applied to pay, or to reimburse the University for its payment of, a portion of the costs of the acquisition, construction or equipping of (a) a new arts and sciences building on the northwest campus (the “Arts & Sciences Building Project – Northwest Campus”) and (b) renovations to Franklin Hall on the Bloomington Campus (the “Franklin Hall Project – Bloomington Campus” and, together with the Arts & Sciences Building Project – Northwest Campus, the “Green Bond Projects”).

The purpose of labeling Series W-1 Bonds as Green Bonds is to allow investors to invest directly in projects which the University has identified as promoting environmental sustainability on the University’s campuses. The University intends to pursue LEED® (Leadership in Energy & Environmental Design) certification for the Green Bond Projects. LEED is a green building certification program offered by the U.S. Green Building Council. Projects submitted for LEED certification are reviewed by the Green Building Certification Institute, a third-party organization, and assigned points based on the project’s implementations of strategies and solutions aimed at achieving high performance in: sustainable site development, water efficiency, energy efficiency, materials selection and indoor environmental quality, among other sustainable qualities. The University is making best efforts to achieve minimum certification level of LEED Silver® for the Green Bond Projects.

Arts & Sciences Building Project – Northwest Campus. The Arts & Sciences Building Project is a collaboration between Indiana University and Ivy Tech Community College. The facility will have approximately 106,065 assignable square feet and house IU Northwest’s Fine and Performing Arts programs, including a 500-seat theater and a variety of art studios, as well as Ivy Tech’s new science labs. The building will also house a variety of multi-media enhanced classrooms, lecture spaces, faculty offices and collaborative learning and study areas. The total construction cost for the project will be approximately \$45 million with anticipated substantial completion by fall 2016. The building is expected to receive a LEED Silver certification in part due to the following anticipated qualities:

- “Energy & Atmosphere” strategies, including management and performance of energy-efficient mechanical systems
- “Indoor & Environmental Quality” strategies, including high-efficiency glass windows and energy-efficient lighting with timer and motion sensor functionality
- “Location and Transportation” strategies, including access to public transportation in a relatively dense urban area

Franklin Hall Project – Bloomington Campus. The project is a renovation of Franklin Hall, which was built in 1907. The main objectives are to improve energy efficiency, to create new and improved academic spaces and to facilitate programs for The Media School, which incorporates journalism, telecommunications, communications, culture, and film. The Media School was established in the 2014-15 academic year. The upgraded Franklin Hall building will possess increased accessibility and house a variety of classrooms with state-of-the-art digital presentation and film production technology and collaborative learning and study areas. The total cost of the renovations and upgrades is expected to be approximately \$21 million with anticipated completion by fall 2015. The building is expected to receive a LEED Silver certification in part due to the following anticipated qualities:

- “Energy & Atmosphere” strategies, including management and performance of energy-efficient mechanical systems

- “Indoor & Environmental Quality” strategies, including high-efficiency glass windows and roofing, energy-efficient lighting with timer and motion sensor functionality and asbestos and lead paint removal

The Series W-1 Bonds, together with the Series W-2 Bonds and all other Indiana University Student Fee Bonds heretofore or hereafter issued on a parity therewith, are limited obligations of the University, payable solely from and secured exclusively by a pledge of and parity first lien on Student Fees and certain funds pledged under the Indenture. Holders of the Series W-1 Bonds do not assume any specific project risk related to the Green Bond Projects.

The proceeds of the Series W-1 Bonds will be tracked by the University and deposited into a segregated account. The University plans to post periodic updates on the use of proceeds of the Series W-1 Bonds on its website: <http://treasurer.indiana.edu/investordisclosure/debtissues.html>. Please see the section entitled Bond Information and then subsection for Debt Issues. Once all proceeds of the Series W-1 Bonds have been spent, no further updates will be provided.

Refunding Program

The Refunded Bonds consist of those outstanding Indiana University Student Fee Bonds listed in Appendix F. See Appendix F, “SUMMARY OF REFUNDED BONDS.”

A portion of the proceeds of the Series W Bonds will be deposited in an escrow fund (the “Escrow Fund”) established pursuant to an Escrow Deposit Agreement dated as of January 1, 2015 (the “Escrow Agreement”), between the University and The Bank of New York Mellon Trust company, N.A., as escrow trustee (the “Escrow Trustee”) and as the Trustee, and will be used to purchase Federal Securities or Escrowed Municipals (as such terms are defined in Appendix C) which, together with the interest thereon and any increment thereto, and an initial cash deposit, will be sufficient to pay when due the principal of and premium, if any, and interest accrued and to accrue on the Refunded Bonds to and including the respective dates on which the Refunded Bonds mature or are to be called for redemption. The Escrow Trustee will apply amounts from time to time on deposit in the Escrow Fund to pay the principal of and premium, if any, and interest on the Refunded Bonds through the respective dates upon which they mature or are to be called for redemption. Upon the deposit of such funds in the Escrow Fund, the Refunded Bonds will be defeased and will no longer be Outstanding under the Indenture and will not have any claim against the Pledged Funds. Neither the maturing principal of the Federal Securities or Escrowed Municipals nor the interest thereon will serve as security for or be available for the payment of principal of or interest on the Series W Bonds. For a description of the verification report to be provided in connection with the refunding of the Refunded Bonds, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

SECURITY FOR SERIES W BONDS

The Series W Bonds are limited obligations of the University, payable solely from and secured exclusively by a pledge of and parity first lien on the Pledged Funds, including: (i) Student Fees; and (ii) to the extent provided in the Indenture, the funds created under the Indenture which are held by the Trustee, except that neither the Series W Bonds nor any currently outstanding Parity Bonds (except the Series I Bonds) have any claim on the Reserve Fund or any other reserve fund. Additional Parity Bonds issued in the future may or may not have a claim on the Reserve Fund. Proceeds from the Series W do not constitute Pledged Funds under the Indenture. The Series W Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the University or the State of Indiana, except to the extent of the pledge of Student Fees and the other Pledged Funds. See Appendix D, “SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

The pledge of Student Fees and other Pledged Funds as security for the payment of the Series W Bonds is of equal standing and priority of lien with the pledge of Student Fees and other Pledged Funds (except that neither the Series W Bonds nor any currently outstanding Parity Bonds, except the Series I Bonds, have any claim on the Reserve Fund or any other reserve fund) for the following outstanding obligations of the University payable from Student Fees:

<u>Obligations</u>	<u>Dated Date</u>	<u>Final Maturity</u> ¹	<u>Original Amount Issued</u>	<u>Amount Outstanding as of December 1, 2014</u> ^{2,4}
Series I	July 15, 1992 ³	August 1, 2017	\$ 45,214,686	\$10,540,449
Series O	March 6, 2003	August 1, 2022	111,490,000	20,100,000
Series Q	June 20, 2006	August 1, 2026	32,895,000	2,985,000
Series R	June 20, 2006	August 1, 2018	129,150,000	25,225,000
Series S	February 21, 2008	August 1, 2018	88,345,000	15,780,000
Series T	April 20, 2010	August 1, 2029	67,400,000	54,240,000
Series U	July 26, 2011	August 1, 2031	94,460,000	86,475,000
Series V	October 26, 2012	August 1, 2026	107,750,000	102,480,000
TOTAL			<u>\$ 676,704,686</u>	<u>\$317,825,449</u>

¹ Reflects the date that any outstanding Bonds will mature or be redeemed.

² Includes accreted value (as of December 1, 2014) of Series I capital appreciation bonds.

³ Dated date for certain capital appreciation bonds issued as a part of this series may be different.

⁴ Excludes principal amounts of the Refunded Bonds to be refunded and defeased with the proceeds of the Series W Bonds. See Appendix F, "SUMMARY OF REFUNDED BONDS."

Student Fees

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the University against students attending Indiana University, except certain dedicated fees and other fees released from the lien of the Indenture, all as provided in the Indenture. See Appendix A, "INDIANA UNIVERSITY—Fees" and "—Mandatory Fees."

The University has covenanted and agreed in the Indenture to pay to the Trustee, on or before the fifth day preceding each interest or principal payment date, Student Fees or other available funds in an amount sufficient to pay the principal of and interest due on all outstanding Parity Bonds on such interest or principal payment date. Such amounts will be deposited in the Sinking Fund (as defined in Appendix C). Student Fees, prior to their deposit with the Trustee as required by the Indenture, may be used as general operating funds of the University.

The University has irrevocably pledged Student Fees to the payment of the principal of and premium, if any, and interest on the Bonds. The pledge of Student Fees for the Bonds will constitute a lien on and security interest in Student Fees.

No Reserve Fund

The Series W Bonds will have no claim on the Reserve Fund or any other reserve fund. Moneys on deposit in the Reserve Fund will not be available for the payment of the principal of or premium, if any, or interest on the Series W Bonds. The Reserve Fund is currently available, as needed, solely for the payment of (a) the Series I Bonds and (b) any Parity Bonds hereafter issued if so provided in the Supplemental Indenture pursuant to which such Parity Bonds are issued.

Fee Covenant

The University will establish and collect Student Fees so as to generate in each Fiscal Year amounts equal to no less than the sum of:

- (a) an amount equal to two times the Annual Debt Service Requirement for all Parity Bonds for such Fiscal Year, provided that if the rate of interest borne by any Variable Rate Bond is fixed for such Fiscal Year at a single rate of interest, such Variable Rate Bond will be treated as a

Fixed Rate Bond for purposes of the Annual Debt Service Requirement calculation under this paragraph;

- (b) the amount, if any, to be paid into the Reserve Fund or to be paid to the provider of a Reserve Fund Credit Instrument (as defined in Appendix C) with respect to such Fiscal Year; and
- (c) any other amounts to be paid from Student Fees with respect to such Fiscal Year in accordance with the Indenture.

The University also covenants to adopt an annual budget for each Fiscal Year which will set forth the estimated Annual Debt Service Requirement, any required deposits to the funds established by the Indenture and any other moneys to be paid from Student Fees in accordance with the Indenture.

Issuance of Additional Bonds

Additional Bonds may be authorized by the Board of Trustees of the University, executed by the University and authenticated by the Trustee and issued under the Indenture from time to time in order to provide funds for any lawful purpose under the Act. Additional Bonds may be categorized as either Parity Bonds or Subordinated Bonds. Parity Bonds means Bonds which are secured as to the payment of principal and interest (other than any Optional Maturities for which a Credit Support Instrument is provided (as such terms are defined in Appendix C)) by a pledge, assignment and grant of a security interest and first lien on the Pledged Funds (except as otherwise provided in regard to the Reserve Fund). Additional Bonds may be issued under the Indenture specifically to evidence liability of the University in favor of any entity providing a Credit Support Instrument. Whether such Additional Bonds are Parity Bonds or Subordinated Bonds will depend on the ability of the University, with respect to those Additional Bonds, to meet the “two times” test described below at the time when funds are advanced pursuant to such Credit Support Instrument and not immediately reimbursed by the University. If such test cannot be met, the Additional Bonds will be Subordinated Bonds and the rights of the holders to receive the principal of and interest on such Subordinated Bonds will be subordinated to the holders of all Parity Bonds. “Subordinated Bonds” refers only to Additional Bonds so held by a provider of a Credit Support Instrument. See Appendix D, “SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Flow of Funds.”

Parity Bonds may be issued from time to time by the University if actual Student Fees received by the University during the preceding Fiscal Year are equal to or greater than two times Maximum Annual Debt Service to become due in the succeeding Fiscal Years for the payment of principal and interest charges on the outstanding Parity Bonds under the Indenture and on the Parity Bonds then to be authenticated and delivered (with interest requirements on Variable Rate Bonds being calculated for this purpose at an assumed per annum rate equal to the then most recently published Bond Buyer Revenue Bond Index (or, if such index is no longer published, any comparable index selected by the University)). In addition, Parity Bonds may be authorized and executed by the University and authenticated and delivered by the Trustee without the necessity for compliance with the above-mentioned test when necessary or appropriate in the opinion of the Trustee to avoid a default under the Indenture.

The University may issue junior lien obligations outside the scope of the Indenture without restriction. These obligations must be junior to the Bonds in all respects. The University has issued junior lien energy savings notes. See Appendix A, “INDIANA UNIVERSITY—Other Indebtedness of the University.”

All computations regarding debt service and Student Fees will be made by the Treasurer of the University.

DEBT SERVICE COVERAGE

The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2014 and an estimate of Student Fees for the Fiscal Year ending June 30, 2015, and the Maximum Annual Debt Service on the outstanding Bonds (excluding the Refunded Bonds to be refunded and defeased with the proceeds of the Series W Bonds), including the Series W Bonds.

	Fiscal Year ended June 30	
	Actual 2014	Estimated 2015
Student Fees (in thousands) ¹	\$1,303,046	\$1,329,465
Coverage on Maximum Annual Debt Service ²	21.21 times	21.64 times

¹ See Appendix A “INDIANA UNIVERSITY—Mandatory Fees—Student Fee Revenues.”

² Maximum Annual Debt Service on the Bonds (excluding the Refunded Bonds to be refunded and defeased with the proceeds of the Series W Bonds) after the issuance of the Series W Bonds will be \$61,440,480 in Fiscal Year 2017 (not reduced by any subsidy payments to be received by the University from the U.S. Treasury for any qualified Build America Bonds). Under the Indenture, the University may issue Parity Bonds if actual Student Fees during the preceding Fiscal Year are at least two times Maximum Annual Debt Service on such Parity Bonds and all other outstanding Parity Bonds. See “SECURITY FOR SERIES W BONDS—Issuance of Additional Bonds” and “ANNUAL DEBT SERVICE REQUIREMENTS.”

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each respective Fiscal Year ending June 30, the Annual Debt Service Requirements (excluding capitalized interest) for the outstanding Student Fee Bonds and the Series W Bonds payable by the University.

Fiscal Year Ending June 30	Outstanding Debt Service ^{1,2,3}	Series W-1 Bonds		Series W-2 Bonds		Total Debt Service ^{1,2,3}
		Principal	Interest	Principal	Interest	
2015	\$55,883,512	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,883,512
2016	53,800,763	1,800,000	2,583,568	0	3,220,889	61,405,220
2017	53,980,680	1,985,000	2,399,150	0	3,075,650	61,440,480
2018	53,379,701	2,065,000	2,318,150	0	3,075,650	60,838,501
2019	44,063,034	2,165,000	2,222,725	0	3,075,650	51,526,409
2020	33,790,326	2,265,000	2,120,425	4,130,000	2,972,400	45,278,151
2021	33,730,061	2,335,000	2,048,900	4,335,000	2,760,775	45,209,736
2022	23,379,995	2,405,000	1,977,450	4,550,000	2,538,650	34,851,095
2023	23,183,361	2,515,000	1,866,475	4,785,000	2,305,275	34,655,111
2024	13,312,014	2,645,000	1,737,475	7,710,000	1,996,025	27,400,514
2025	13,219,881	2,780,000	1,601,850	8,065,000	1,624,025	27,290,756
2026	11,090,293	2,925,000	1,459,225	8,465,000	1,230,025	25,169,543
2027	11,015,933	3,075,000	1,309,225	8,895,000	796,025	25,091,183
2028	7,447,170	3,235,000	1,151,475	2,940,000	500,150	15,273,795
2029	7,343,157	3,380,000	1,003,000	1,785,000	390,950	13,902,107
2030	7,248,310	3,520,000	865,000	1,865,000	308,625	13,806,935
2031	2,489,000	3,660,000	721,400	1,960,000	213,000	9,043,400
2032	2,485,625	3,815,000	571,900	2,060,000	112,500	9,045,025
2033	0	3,965,000	416,300	1,220,000	30,500	5,631,800
2034	0	4,130,000	254,400	0	0	4,384,400
2035	0	4,295,000	85,900	0	0	4,380,900
TOTAL	\$450,842,816	\$58,960,000	\$28,713,993	\$62,765,000	\$30,226,764	\$631,508,573

¹ Excludes debt service on the Refunded Bonds to be refunded and defeased with the proceeds of the Series W Bonds. See Appendix F, “SUMMARY OF REFUNDED BONDS.”

² Not reduced by any subsidy payments to be received by the University from the U.S. Treasury for any qualified Build America Bonds.

³ Totals may not sum due to rounding.

CAPITAL PROGRAM AND ADDITIONAL FINANCING

General

The University has an ongoing capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects have historically been funded from a variety of sources, including but not limited to state appropriations, debt financing, gifts, and University reserve funds. See Appendix A, “INDIANA UNIVERSITY—Capital Program” and “Other Indebtedness of the University.”

State Appropriations to University

The University receives a major portion of required funding for its educational and research activities from Student Fees, the federal government and the State of Indiana. With respect to the State, the University has annually received, and anticipates continued receipt of, appropriations from the Indiana General Assembly to be applied to the educational and general expenditures of the University, as well as appropriations for capital construction. See Appendix B, “FINANCIAL REPORT OF THE UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014—Management’s Discussion and Analysis.”

Generally, the Indiana General Assembly authorizes certain capital construction projects for the University, payable from Student Fee revenues, under two different arrangements. First, certain projects are designated as eligible for “fee replacement,” meaning that, with respect to the financing of such projects, the General Assembly authorizes the appropriation, on a biennial basis, of an amount equal to the annual debt service requirements due on bonds issued to finance such projects (the “Fee Replacement Appropriations”). Second, certain projects undertaken by the University are expressly authorized by the Indiana General Assembly as not being eligible for such Fee Replacement Appropriations.

The General Assembly in the past has made Fee Replacement Appropriations to the University in an amount equal to the annual debt service requirements due on all previously outstanding Building Facilities Fee Bonds (refunded in 1985 with the issuance of the University’s Indiana University Student Fee Bonds, Series A), together with debt service due on certain outstanding Bonds. See Appendix A, “INDIANA UNIVERSITY—Operating Budget and Related Procedures” and “—State Appropriations to the University.” The University anticipates that Fee Replacement Appropriations will be continued by the Indiana General Assembly in future years, but cannot guarantee or covenant with respect to any such continuation. The Constitution of the State of Indiana prohibits the General Assembly from binding any subsequent General Assembly to continue any Fee Replacement Appropriations.

The Green Bond Projects to be financed out of proceeds of the Series W Bonds, as described above in “PLAN OF FINANCE—Green Bond Projects,” are eligible for Fee Replacement Appropriations. Some (but not all) of the projects previously financed or refinanced with the Outstanding Bonds (including the Refunded Bonds) have been designated by the Indiana General Assembly as eligible for Fee Replacement Appropriations.

All of the Bonds, including the Series W Bonds, are payable solely from and secured exclusively by Student Fees and other Pledged Funds (except that neither the Series W Bonds nor any currently outstanding Bonds, except the Series I Bonds, are payable from or secured by the Reserve Fund), irrespective of whether the particular projects financed out of the proceeds of such Bonds are eligible for Fee Replacement Appropriations. Further, none of the Bonds are, or can be under the Constitution and laws of the State, secured by any pledge of Fee Replacement Appropriations.

INDIANA UNIVERSITY

General

Indiana University includes eight campuses with core campuses located in Bloomington and Indianapolis, and with other campuses located in Gary, South Bend, Fort Wayne, Kokomo, Richmond and New Albany. Indiana University is fully accredited in all of its departments and divisions by the North Central Association of Colleges

and Schools. Each professional school holds full accreditation from its respective professional association. Indiana University is a member of the American Council of Education and the Association of American Universities. See Appendix A, "INDIANA UNIVERSITY."

Certain Financial and Operating Information

Certain financial information and operating data of the University is included in Appendix A to this Official Statement.

Financial Report

The Financial Report of the University for the fiscal year ended June 30, 2014, is attached as Appendix B to this Official Statement.

Forward-looking Statements

This Official Statement, including in particular certain information contained under the captions "PLAN OF FINANCE," "DEBT SERVICE COVERAGE," "CAPITAL PROGRAM AND ADDITIONAL FINANCING," Appendix A, "INDIANA UNIVERSITY—Student Enrollment," "—Fees—Student Budget," "—Budgeting Procedures" and "—State Appropriations to the University," and Appendix B, "FINANCIAL REPORT OF THE UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014—Management's 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. Additionally, certain information contained in this document titled "Financial Operations of the University," "Retirement Plans," "Postemployment Benefits," "Termination Benefits," "Required Supplementary Information," and "Physical Plant - Capital Assets, Net" are from current and/or prior audited IU financial reports; the "Indiana University Foundation - Indiana University Foundation Financial Summary" (the "Foundation") is either from its current and/or prior audited financial reports or the Foundation. 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.

TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana, and Coleman Stevenson, LLP, Indianapolis, Indiana, (together, "Co-Bond Counsel"), under existing laws, regulations, judicial decisions and rulings, interest on the Series W Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of delivery of the Series W Bonds (the "Code"). The opinion of Co-Bond Counsel is based on certain certifications, covenants and representations of the University and is conditioned on continuing compliance therewith. In the opinion of Co-Bond Counsel, under existing law, interest on the Series W Bonds will be exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Series W Bonds for State of Indiana income tax purposes. See Appendix E for the form of Co-Bond Counsel opinions.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series W Bonds as a condition to the exclusion from gross income of interest on the Series W Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series W Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs.

Should the Series W Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series W Bonds would be materially and adversely affected.

The University will covenant to not take any action nor fail to take any action, within its power and control, with respect to the Series W Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series W Bonds under Section 103 of the Code (collectively, the “Tax Covenants”). The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series W Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if interest on the Series W Bonds is not excludable from gross income for federal income tax purposes or otherwise under any provisions of the Code that is not in effect on the issue date of the Series W Bonds.

The interest on the Series W Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series W Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Series W Bonds are *not* qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of Indiana Code 6-5.5 on their ownership of the Series W Bonds.

The accrual or receipt of interest on the Series W Bonds may affect an owner’s federal or state tax liability in other ways. The nature and extent of these other tax consequences will depend upon the owner’s particular tax status and the owner’s other items of income or deduction. Co-Bond Counsel express no opinion regarding any other such tax consequences. Prospective purchasers of the Series W Bonds should consult their own tax advisors with respect to the other tax consequences of owning the Series W Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series W Bonds. Prospective purchasers of the Series W Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series W Bonds.

AMORTIZABLE BOND PREMIUM

The initial offering price of the Series W Bonds is greater than the principal amount payable at maturity. As a result, the Series W Bonds will be considered to be issued with amortizable bond premium (the “Bond Premium”). An owner who acquires a Series W Bond in the initial offering will be required to adjust the owner’s basis in the Series W Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Series W Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer’s yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Series W Bonds. Owners of Series W Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Series W Bonds and with respect to the state and local tax consequences of owning and disposing of Series W Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

ENFORCEABILITY OF RIGHTS AND REMEDIES

The enforceability of rights and remedies of the Trustee or the holders of the Series W Bonds under the Indenture, and the availability of remedies to any party seeking to enforce the pledge of the Pledged Funds, including Student Fees, are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the rights and remedies provided in the Indenture and any other agreement in this financing, and the rights and remedies of any party seeking to enforce the pledge of the Pledged Funds, including Student Fees, may not be readily available or may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Series W Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The exceptions would encompass any exercise of federal, State or local police powers (including the police powers of the University and the State), in a manner consistent with the public health and welfare. Enforceability of the Indenture, and availability of remedies to a party seeking to enforce the pledge of the Pledged Funds, including Student Fees, in a situation where such enforcement or availability may adversely affect public health and welfare, may be subject to these police powers.

LITIGATION

At the time of delivery of the Series W Bonds, the University will certify that there is no litigation or other proceeding pending or, to the University's knowledge, threatened, in any court, agency or other administrative body (i) restraining or contesting the issuance of the Series W Bonds or the pledging of the Pledged Funds, including the Student Fees, (ii) in any way affecting the validity of any provision of the Series W Bonds, the Resolutions or the Indenture, or (iii) except as may be disclosed in the audited financial statements of the University for the fiscal year ended June 30, 2014, attached as Appendix B hereto, that would have a material adverse impact on the University's financial condition or ability to pay the principal of and the interest on the Series W Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services ("Standard & Poor's") have assigned long term ratings of "Aaa" and "AA+", respectively, to the Series W Bonds. These ratings reflect only the views of Moody's and Standard & Poor's, and an explanation of such ratings may be obtained from Moody's at Moody's Investors Service, Inc., Public Finance—Higher Education, 7 World Trade Center at 250 Greenwich Street, 23rd Floor, New York, New York 10007, and from Standard & Poor's at Standard & Poor's Rating Services, Public Finance, Higher Education Group, 55 Water Street, 38th Floor, New York, New York 10041-0003. The ratings are not a recommendation to buy, sell or hold the Series W Bonds. There is no assurance that any rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or Standard & Poor's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price or marketability of the Series W Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series W Bonds are subject to the approval of Ice Miller LLP, Indianapolis, Indiana, and Coleman Stevenson, LLP, Indianapolis, Indiana, Co-Bond Counsel. The form of approving opinions of Co-Bond Counsel with respect to the Series W Bonds is attached hereto as Appendix E. Certain legal matters will be passed upon for the University by Jacqueline A. Simmons,

Esquire, Bloomington, Indiana, Vice President and General Counsel to the University, and for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana.

Co-Bond Counsel have not undertaken independently to verify any information contained in this Official Statement, except that representatives of such firms participating in the issuance of the Series W Bonds have reviewed the information under the headings “INTRODUCTION,” “DESCRIPTION OF SERIES W BONDS” (except for the information provided in “Book-Entry-Only System”), “SECURITY FOR SERIES W BONDS,” “TAX MATTERS,” “ORIGINAL ISSUE DISCOUNT,” “AMORTIZABLE BOND PREMIUM” and Appendices C, D, E and F and determined that such information conforms in all material respects to the provisions of the documents and other matters set forth therein. Co-Bond Counsel have not undertaken to review the accuracy or completeness of statements under any other heading of this Official Statement, including particularly matters related to the financial condition of the University and other financial data concerning the University, and expresses no opinion thereon or assumes any responsibility therewith.

UNDERWRITING

The underwriters named on the cover page of this Official Statement (the “Underwriters”) have jointly and severally agreed to purchase the Series W Bonds from the University at an aggregate purchase price of \$141,510,507.38 (representing the par amount of Series W Bonds, plus an original issue premium of \$20,263,825.35 and less an underwriters’ discount of \$478,317.97). Morgan Stanley & Co. LLC has acted as representative of the Underwriters. The obligations of the Underwriters to purchase the Series W Bonds are subject to certain conditions precedent to closing, and the Underwriters will be obligated to purchase all of the Series W Bonds if any Series W Bonds are purchased. The Underwriters have agreed to make a bona fide public offering of all the Series W Bonds at prices not in excess of the initial public offering prices set forth or reflected on the inside cover page of this Official Statement. The Series W Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such Series W Bonds into investment trusts) at prices lower than such public offering prices and, after completion of the initial bona fide public offering, such public offering prices may be changed, from time to time, by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Series W Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series W Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series W Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement each of CS&Co. and LPL will purchase Series W Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series W Bonds that such firm sells.

Loop Capital Markets has entered into distribution agreements (each a “Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”), Deutsche Bank Securities Inc. (“DBS”) and Credit Suisse Securities LLC (“CS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS, DBS and CS will purchase Series W Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Series W Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters may in the future provide a variety of these services to the University and to persons and entities with relationships with the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the University. The Underwriters may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, will deliver to the University its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the University, the Underwriters and their representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of, and interest on, securities deposited in the Escrow Fund to pay, when due, the maturing principal and called principal of and redemption premium, if any, and interest on the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Co-Bond Counsel that the Series W Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

CONTINUING DISCLOSURE

General

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission (the “SEC”) in SEC Rule 15c2-12, as amended (the “Rule”), the University will enter into a Supplement to the Amended and Restated Continuing Disclosure Supplement dated as of January 1, 2015, which further supplements Amended and Restated Continuing Disclosure Undertaking Agreement of the University dated as of March 1, 2011, as previously supplemented (collectively, the “Continuing Disclosure Agreement”). The Underwriters, by their agreement to purchase the Series W Bonds, (a) accept and assent to the Continuing Disclosure Agreement and (b) assign all their rights under the Continuing Disclosure Agreement, as promisee, to the holders of the Series W Bonds. Any beneficial owner of any Series W Bond will, by its payment for and acceptance of such Series W Bond, be deemed to have accepted and assented to the Continuing Disclosure Agreement and the exchange of (i) such payment and acceptance for (ii) the promises of University contained therein.

Pursuant to the terms of the Continuing Disclosure Agreement, the University will agree to provide the following information while any of the Series W Bonds are outstanding:

- (i) To the Municipal Securities Rulemaking Board (“MSRB”), when and if available, the audited financial statements of the University for each fiscal year of the University, beginning with the fiscal year ending June 30, 2015, together with the auditor’s report and all notes thereto.
- (ii) To the MSRB, within 180 days of the close of each fiscal year of the University, beginning with the fiscal year ending June 30, 2015, annual financial information of the University for such fiscal year (other than the audited financial statements described above), including: (a) unaudited financial statements of the University if audited financial statements are not then available and (b) operating data (excluding any demographic information or forecasts) of the general type included in Appendix A to this Official Statement (the “Annual Information”).
- (iii) In a timely manner within 10 business days after the occurrence thereof, to the MSRB, notice at the occurrence of any of the following events with respect to the Series W Bonds:
 - (a) principal and interest payment delinquencies;

- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series W Bonds, or other material events affecting the tax status of the Series W Bonds;
- (g) modifications to the rights of owners of the Series W Bonds, if material;
- (h) Series W Bond calls, if material, and tender offers;
- (i) defeasances of the Series W Bonds;
- (j) release, substitution or sale of property securing repayment of the Series W Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the University;
- (m) the consummation of a merger, consolidation or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Determination of materiality will be made by the University in accordance with the standards established by federal securities laws, as then in existence.

- (iv) In a timely manner, to the MSRB, notice of the University's failure to provide the Annual Information as required by the Continuing Disclosure Agreement.

If any Annual Information or audited financial statements relating to the University referred to above no longer can be provided because the operations to which they relate have been materially changed or discontinued, a statement to that effect, provided by the University to the MSRB, along with any other Annual Information or audited financial statements required to be provided under the Continuing Disclosure Agreement, will satisfy the Continuing Disclosure Agreement. To the extent available, the University will cause to be filed, along with the other Annual Information or audited financial statements, operating data similar to that which was previously provided.

The University has agreed to make a good faith effort to obtain Annual Information. However, failure to provide any component of Annual Information, because it is not available to the University on the date by which Annual Information is required to be provided under the Continuing Disclosure Agreement, will not be deemed to be a breach of the Continuing Disclosure Agreement. The University has further agreed to supplement the Annual Information filing when such data is available.

Dissemination Agent

The University may, at its sole discretion, utilize an agent in connection with the dissemination of any Annual Information or other information required to be provided by the University pursuant to the Rule or the Continuing Disclosure Agreement.

Remedy

The sole remedy against the University for any failure to carry out any provision of the Continuing Disclosure Agreement will be to require specific performance of the University's disclosure obligations under the Continuing Disclosure Agreement, without money damages of any kind or in any amount or any other remedy. Any failure of the University to honor its covenants under the Continuing Disclosure Agreement will not constitute a breach of or default under the Series W Bonds, the Indenture or any other agreement to which the University is a party.

In the event the University fails to provide any information required to be provided by the Continuing Disclosure Agreement, any beneficial owner of Series W Bonds may pursue the remedy set forth above in any court of competent jurisdiction in the State. Any challenge to the adequacy of the information provided by the University by the terms of the Continuing Disclosure Agreement may be pursued only by beneficial owners of not less than 25% in principal amount of Series W Bonds then outstanding in any court of competent jurisdiction in the State. An affidavit to the effect that such persons are beneficial owners of Series W Bonds, supported by reasonable documentation of such claim, will be sufficient to evidence standing to pursue the remedy set forth above.

If specific performance is granted by any such court, the party seeking such remedy will be entitled to payment of costs by the University and to reimbursement by the University of reasonable fees and expenses of attorneys incurred in the pursuit of such claim. If specific performance is not granted by any such court, the University will be entitled to payment of costs by the party seeking such remedy and to reimbursement by such party of reasonable fees and expenses of attorneys incurred in the pursuit of such claim.

Prior to pursuing any remedy for any breach of any obligation under the Continuing Disclosure Agreement, a beneficial owner of Series W Bonds must give notice to the University, by registered or certified mail, of such breach and its intent to pursue such remedy. Fifteen days after the receipt of such notice, or upon earlier response from the University to this notice indicating continuing noncompliance, such remedy may be pursued under the Continuing Disclosure Agreement if and to the extent the University has failed to cure such breach.

Modification of Continuing Disclosure Agreement

The University may, from time to time, amend or modify the Continuing Disclosure Agreement without the consent of or notice to the Underwriters or Bondholders, if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the University, or type of business conducted, (ii) the Continuing Disclosure Agreement, as so amended or modified, would have complied with the requirements of the Rule on the date of the Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the holders of the obligations subject to the Continuing Disclosure Agreement, as determined either by (A) any person selected by the University that is unaffiliated with the University (including the trustee under the applicable indenture, or nationally recognized bond counsel) or (B) an approving vote of the holders of the requisite percentage of outstanding obligations of a series subject to the Continuing Disclosure Agreement at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Continuing Disclosure Agreement) is permitted by the Rule, as then in effect.

Prior Compliance

In order to assist the Underwriters in complying with the Underwriters' obligations pursuant to SEC Rule 15c2-12, the University represents that it has conducted what it believes to be a reasonable review of the

University's compliance with its existing continuing disclosure obligations. Based upon such review, the University is not aware of any instances in the previous five years in which the University has failed to comply in any material respects with previous undertaking agreements.

CERTAIN RELATIONSHIPS

Certain employees of City Securities Corporation, an underwriter of the Series W Bonds, currently serve on the Indiana University Foundation Board.

MISCELLANEOUS

During the initial offering period for the Series W Bonds, copies of the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Resolutions will be available for inspection at the Office of the Senior Vice President, Chief Financial Officer and Treasurer of Indiana University, 107 S. Indiana Ave., Bryan Hall 212, Bloomington, Indiana 47405.

The execution and delivery of this Official Statement has been duly authorized by the Board of Trustees of the University.

This Official Statement is submitted in connection with the issuance and sale of the Series W Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statement will be realized. The agreements of the University are fully set forth in the Indenture in accordance with the Act. Neither any advertisement of the Series W Bonds nor this Official Statement is to be construed as constituting a contract or agreement between the University and the purchasers or owners of the Series W Bonds.

THE TRUSTEES OF INDIANA UNIVERSITY

By: /s/ MaryFrances McCourt
Treasurer

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APPENDIX A

INDIANA UNIVERSITY

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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 eight campuses, with core campuses in Bloomington and Indianapolis and regional campuses serving other areas of Indiana, which are located in Gary (“Northwest”), Fort Wayne (Indiana University Purdue University Fort Wayne) (“Fort Wayne” or “IPFW”), Kokomo, New Albany (“Southeast”), Richmond (“East”), and South Bend. The Bloomington campus is the oldest and largest campus of the University, occupying 1,929 acres, and is the primary residential campus. The Indiana University Purdue University at Indianapolis campus (“IUPUI”) is the home of the Indiana University School of Medicine, the School of Dentistry, and the School of Nursing. The eight campuses of the University encompass a total of 3,664 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 Fort Wayne.

In August 2014, Policy Analytics, LLC presented the “IPFW Roles and Governance Report” to the Northeast Indiana Regional Partnership “to determine the most appropriate role for IPFW with the community and to analyze whether the current governance structures were the most educationally productive.” One of the recommendations of the report was to shift fiscal oversight of the Fort Wayne campus to Indiana University. Purdue University and Indiana University have begun preliminary conversations to assess the recommendation.

Forward-looking Statements

Certain information contained in this document, including in particular, that titled “Student Enrollment,” “Fees - Student Budget,” “Operating Budget and Related Procedures,” “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,” “Retirement Plans,” “Postemployment Benefits,” “Termination Benefits,” “Required Supplementary Information,” and “Physical Plant - Capital Assets, Net” are from current and/or prior audited IU financial reports; the “Indiana University Foundation - Indiana University Foundation Financial Summary” (the “Foundation”) is either from its current and/or prior audited financial reports or the Foundation. 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.

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Academic Colleges, Schools & Divisions of the University

The University divides the academic year into two academic semesters and an additional summer session varying in length by campus. 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.

University Schools, Colleges and Divisions

Bloomington

College of Arts and Sciences
Henry Radford Hope School of Fine Arts
Hutton Honors College
Jacobs School of Music
Kelley School of Business
Maurer School of Law
School of Education
School of Global and International Studies
School of Informatics and Computing
School of Nursing
School of Optometry
School of Public and Environmental Affairs
School of Public Health
School of Social Work
The Media School
University Division
University Graduate School

IUPUI

Graduate School
Herron School of Art and Design
Honors College
IUPU-Columbus
Kelley School of Business
Lilly Family School of Philanthropy
Richard M. Fairbanks School of Public Health
Robert H. McKinney School of Law
School of Dentistry
School of Education
School of Engineering and Technology (Purdue)
School of Health and Rehabilitation Sciences
School of Informatics and Computing
School of Liberal Arts
School of Medicine
School of Nursing
School of Physical Education and Tourism Management
School of Public and Environmental Affairs
School of Science (Purdue)
School of Social Work
University College

East

School of Business and Economics
School of Education
School of Humanities and Social Sciences
School of Informatics
School of Natural Science and Mathematics
School of Nursing
School of Social Work
Purdue College of Technology

Kokomo

Division of Allied Health Sciences
School of Business
School of Education
School of Humanities and Social Sciences
School of Nursing
School of Sciences
Purdue College of Technology

Northwest

College of Arts and Sciences
College of Health and Human Services
 School of Nursing
 School of Public and Environmental Affairs
 School of Social Work
School of Business and Economics
School of Education

South Bend

College of Health Sciences
College of Liberal Arts and Sciences
Ernestine M. Raclin School of the Arts
Judd Leighton School of Business and Economics
School of Education
School of Social Work
Purdue College of Technology

Southeast

School of Arts and Letters
School of Business
School of Education
School of Natural Sciences
School of Nursing
School of Social Sciences
Purdue College of Technology

Authorized Degree Programs and Degrees Conferred

For the 2014-15 academic year, 805 Indiana University degree programs, including some offered through online education, were authorized and implemented on the University's campuses, excluding the Fort Wayne campus. Four-year programs leading to baccalaureate degrees constitute the largest single category, accounting for 379 programs. Advanced degrees (doctoral and professional) and master's account for 364 programs. Associate degrees account for 62 programs. Purdue University programs authorized and implemented on the IUPUI campus resulting in Indiana University degrees account for 54 programs, which are reported in the totals above.

The University's total headcount enrollment for the fall semester of 2014 was 114,370, including IU students at the Purdue administered Fort Wayne campus, or 106,212 IU students at campuses administered by the University. During the academic year ended June 30, 2014, the University awarded a total of 20,563 degrees consisting of 13,929 bachelor's degrees, 4,694 master's degrees, 1,533 professional and doctoral degrees, and 407 associate degrees, including Purdue University degrees of 1,329 conferred on IU campuses.

Accreditations and Memberships

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

The Board of Trustees of the University

The University is governed by a nine-member Board of Trustees ("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

Randall L. Tobias, Chair (Hamilton County)	Eli Lilly and Company, CEO (retired); AT&T International, Chairman and CEO (former); first U.S. Global AIDS Coordinator (former); first Director of U.S. Foreign Assistance and Administrator of the U.S. Agency for International Development (USAID) (former)
MaryEllen Kiley Bishop, Vice Chair (Hamilton County)	Cohen, Garelick and Glazier, Attorney/Partner
Philip N. Eskew, Jr. (Kosciusko County)	St. Vincent Hospital, Director, Physician and Patient Relations, (Retired); IU School of Medicine, Clinical Professor, Obstetrics & Gynecology (Emeritus Faculty)
Janice L. Farlow (Marion County)	M.D.-Ph.D. candidate at the IU School of Medicine

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Michael J. Mirro (Allen County)	Physician, Parkview Physicians Group, Physician, Clinical Professor, and Researcher (Cardiology/Cardiac Electrophysiology); Midwest Alliance for Health Education, Co-director; Parkview Research Center, Medical Director
Andrew F. Mohr (Marion County)	Andy Mohr Automotive Group, President and CEO
James T. Morris (Marion County)	Pacers Sports and Entertainment, President; United Nations World Food Programme, Executive Director (former); Indianapolis Water Company, CEO (former)
Derica W. Rice (Hamilton County)	Eli Lilly and Company, Executive Vice President for Global Services and Chief Financial Officer
Patrick A. Shoulders (Vanderburgh County)	Ziemer, Stayman, Weitzel & Shoulders, Attorney/Partner

**BOARD OF TRUSTEES
OFFICERS**

Randall L. Tobias	Chair of the Trustees
MaryEllen Kiley Bishop	Vice Chair of the Trustees
MaryFrances McCourt	Treasurer of the Trustees
Donald S. Lukes	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 the major officers of the University.

Michael A. McRobbie, President

John S. Applegate, Executive Vice President for University Academic Affairs

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

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

Jay L. Hess, Vice President for University Clinical Affairs

Jorge V. José, Vice President for Research

MaryFrances McCourt, Senior Vice President, Chief Financial Officer, and Treasurer

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

Lauren K. Robel, Executive Vice President and Provost, Indiana University Bloomington

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

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, Vice President for International Affairs

Terry L. Allison, Chancellor of Indiana University South Bend

Vicky L. Carwein, Chancellor of Indiana University-Purdue University Fort Wayne

Kathryn Cruz-Urbe, 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

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 – President. Michael A. McRobbie took office as the 18th president of the University on July 1, 2007. From the beginning of his tenure as president, McRobbie has focused on the University's fundamental missions of excellence in research and teaching to be achieved through a great faculty, responsive and relevant education, an enhanced global presence, expanded infrastructure, a rededication to the arts and humanities, and new economic development and engagement initiatives. 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. 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.

MARYFRANCES MCCOURT – MaryFrances McCourt was named Senior Vice President, CFO and Treasurer of the University in August 2014, after having been named Vice President, CFO and Treasurer in August 2013 and serving in this capacity on an interim basis since January 2013. She joined the University as Treasurer of the University and Treasurer of the Trustees in October 2005. McCourt is responsible for the management of Capital Finance; Controller’s Office; Procurement; Treasury Operations; University Budget; University Bursar; University Human Resources; Financial Literacy, and Healthy IU. Her work at the University has been characterized by streamlined business processes; enabling technology; increased governance; and the delivery of sophisticated financial analysis/forecasting tools, which have allowed the University to adapt its business model, while maintaining a position of financial strength. Before joining the staff of Indiana University, McCourt was Assistant Treasurer for a multi-billion dollar distributor and premier reseller of enterprise computer technology solutions, headquartered in Cleveland, Ohio. She has held various positions in strategic planning; financial analysis and treasury management with a particular focus on operational efficiency; business planning (including acquisitions, divestitures and new business modeling); customer, vendor and product line profitability analyses; and balance sheet management. McCourt graduated with a B.A., magna cum laude, in Economics from Duke University and an M.B.A. from Case Western University.

Facilities

Square Footage As of fall 2013, there are 882 buildings on the campuses administered by the University and Fort Wayne, encompassing 36.2 million gross square feet, of which approximately 22.0 million square feet are assignable to operating units.

Libraries The University’s Library System serves all campuses with separate collections as well as interlibrary loan programs. As of June 30, 2014, the library system holdings include 13.4 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 400,000 books, over 7,500,000 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, IUPU Columbus, IU East, IU Kokomo, 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 Software; 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 2013, the University, excluding the Fort Wayne Campus, has approximately 1.3 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.

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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 2014, the Bloomington campus provided residence hall housing for 11,122 students and apartment housing for 1,482 students. Occupancy in Bloomington campus residence halls and apartment housing was 98% for both. On the Bloomington campus, as of fall 2014, approximately 6,464 undergraduate students participated in Greek life in 41 fraternities and 32 sororities, with 21 fraternities and 19 sororities providing on-campus housing. As of fall 2014, the residence facilities on the IUPUI campus provided living quarters for 1,696 students, through a combination of apartment style housing, traditional co-ed residence halls, and townhouse units. Living quarters for approximately 700 additional students on the IUPUI campus have been approved and are anticipated to be constructed and available in fall 2016 or 2017. Occupancy in IUPUI campus housing was 100%. As of fall 2014, the South Bend campus provided living quarters for approximately 399 students with housing occupancy at 92%. The Southeast campus provided living quarters for approximately 400 students with housing occupancy at 100%. 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 nineteen garages on four campuses and at various surface lots on all University campuses.

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; athletic facilities and Bradford Woods – a 2,500 acre outdoor educational facility and nature preserve.

Faculty and Staff

The University's full-time academic administrators, faculty and lecturers consisted of 5,504 persons (academic staff who are tenure/tenure track faculty, and non-tenure track faculty and executive/administrators with faculty status), as of the fall semester of 2014. The percentage of faculty at the University's Bloomington and IUPUI campuses that have tenure are 74% and 66%, respectively. 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 2014, 89% of Bloomington campus faculty (including visiting faculty) and academic administrators with professional rank hold a doctoral or professional degree. This percentage is 91% at IUPUI and 83% at the other campuses.

Indiana University recognizes four employee unions, which include: the International Alliance of Theatrical Stage Employees (IATESE) 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, Northwest, IUPUI, Southeast, and South Bend 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 five of the 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

The University attracts students from a variety of backgrounds and geographic locations, with representation from 49 states, Washington D.C., and 169 foreign countries, as of fall 2014. Indiana residents represented 74% of the total enrollment, while 26% were from other states, Washington D.C., or foreign countries.

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, except for Fort Wayne, which is administered by Purdue University.

Applications and Enrollments Excluding Fort Wayne ¹

Academic Year	Applications Received	Applicants Accepted	Percent Accepted	Percent of Accepted Enrolled
2010-11	57,438 ²	39,438	68.7	35.0
2011-12	53,772	38,576	71.7	36.8
2012-13	55,091	39,855	72.3	36.3
2013-14	58,669	41,988	71.6	35.9
2014-15	58,204 ³	43,299	74.4	35.2

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 The increase in the number of applications and the lower acceptance rate for academic year 2010-11 was based on the Indiana Commission for Higher Education requiring a free application week for Indiana public higher education institutions. Many high schools had students submit applications, who would not have otherwise done so.

³ Applications shown for the University were affected by applications for IU Bloomington (“IUB”), which typically represent over 60% of total applications. The change in IUB applications from academic year 2013-14 to academic year 2014-15 reflected a higher admit rate for beginner undergraduates, which was based on a declining number of high school graduates, higher admissions requirements, and an increase in the quality of the applicant pool under consideration. Although the applicant pool was smaller for IUB, the mean SAT/converted ACT scores for applicants was up seven points from the preceding year and the median high school grade point average of 3.73 in 2014 was a new record high. IUB began requiring an essay in 2013 for application and a substantial number of less-qualified applicants may be self-selecting out of the applicant pool. With a larger group of qualified applicants, IUB enrolled its largest beginner cohort ever in fall 2014.

In the 2014-15 academic year, 95% of Bloomington campus beginning students ranked in the upper 50% of their high school class. During the same period 69% of beginning students ranked in the upper 25% of their high school class, and 33% 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:

Average SAT Scores

Academic Year	Indiana University	National ¹
2010-11	1067	1017
2011-12	1068	1011
2012-13	1071	1010
2013-14	1070	1010
2014-15	1068	NA

Source: University Institutional Research and Reporting

¹ The fall 2014 national average SAT score is not yet available.

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Student Enrollment

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

Total Actual Headcount Enrollment by Campus Including Fort Wayne

Fall Semester	Bloomington	IUPUI	Regionals Excl. IPFW	Enrollment IU		Total Enrollment
				Campuses	IPFW	
2010	42,464	30,566	28,211	101,241	8,204	109,445
2011	42,731	30,530	28,719	101,980	8,456	110,436
2012	42,133	30,451	29,483	102,067	8,326	110,393
2013	46,817 ¹	30,488	29,827	107,132 ¹	8,280	115,412 ¹
2014	46,416	30,690	29,106	106,212	8,158	114,370

Source: University Institutional Research and Reporting

¹ From fall 2013 forward, high school students who are taking college equivalent courses through the Advanced College Program (“ACP”) are reported within the headcount, Full-Time Equivalent (“FTE”), credit hours, and enrollment projections. The increase in fall 2013 enrollment for Total, IU Campuses, and Bloomington for headcount is partially due to the inclusion of ACP students on the Bloomington campus, which had previously not been included, accounting for a fall 2013 headcount enrollment increase of 4,466 versus fall 2012. IUPUI and regional campuses have counted these types of students in their enrollments for the entire period presented.

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. The University no longer projects enrollments for the IPFW campus, which is administered by Purdue University.

Projected Headcount Enrollment by Campus Excluding Fort Wayne¹

Fall Semester	Bloomington	IUPUI	Regionals Excl. IPFW	Enrollment IU Campuses
2015	47,412	30,722	29,936	108,070
2016	47,053	31,232	29,983	108,268
2017	47,331	30,842	30,160	108,333

Source: University Institutional Research and Reporting

¹ The projections presented in this table were prepared based on the Fall 2013 Enrollment Study. The Fall 2014 Enrollment Study is not yet available. No representation can be made as to the ability of the University to achieve these projections. Enrollment projections include ACP students on the Bloomington campus.

The following table sets forth the total actual 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.

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

Fall Semester	<u>Undergraduate</u>	<u>Graduate & Professional</u>	<u>Enrollment IU Campuses</u>	<u>Full-Time Equivalent</u>	<u>Fiscal Year Credit Hours</u> ¹
Actual					
2010	80,356	20,885	101,241	81,842	2,552,669
2011	81,187	20,793	101,980	82,230	2,548,801
2012	81,974	20,093	102,067	81,728	2,528,810
2013	87,142 ²	19,990	107,132 ²	83,792 ²	2,724,162 ²
2014	86,321	19,891	106,212	84,368	2,530,500 ³
Projected ^{2,3}					
2015	88,000	20,070	108,070	84,308	2,530,500
2016	88,154	20,114	108,268	84,357	2,530,500
2017	88,231	20,102	108,333	84,456	2,530,500

Source: University Institutional Research and Reporting from the Fall 2013 Enrollment Study

¹ From fall 2011 forward, the Total Annual Credit Hours Taken shown are for an academic calendar that groups the main semesters (fall and spring) with a trailing summer session. Prior years' numbers include the fall semester noted, the Summer II session that precedes it, and the spring semester and Summer I session of the subsequent year.

² The increase in fall 2013 headcount, FTE, credit hours, and enrollment projections is partially due to the inclusion of ACP students on the Bloomington campus, which had previously not been included. Fall 2013 headcount enrollment increased by 4,466 versus fall 2012 and FTE enrollment increased by approximately 1,300. IUPUI and regional campuses have counted these types of students in their enrollments for the entire period presented.

³ The projections presented in this table were prepared based on the Fall 2013 Enrollment Study. The Fall 2014 Enrollment Study is not yet available. No representation can be made as to the ability of the University to achieve these projections.

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.

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Regular Instructional Fee Rates The Trustees approve tuition and fee rates. On the Bloomington campus, undergraduate students taking between 12 and 18 hours are assessed a flat instructional fee. 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.) and Optometry (O.D.) programs, which pay higher flat fees than shown. On campuses other than Bloomington, fee rates are assessed on a credit-hour basis, except for professional students in Medicine, Dentistry, and Law, which pay higher flat fees than shown.

The following two tables indicate tuition and fees for undergraduate and for graduate and professional students for the academic years shown. 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”.

Undergraduate Students Tuition and Fees ¹

Academic Year	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Bloomington					
Resident Tuition & Fees	\$9,028	\$9,523	\$10,033	\$10,209	\$10,388
Non-Resident Tuition & Fees	27,689	29,540	31,483	32,350	33,241
Resident Per Credit Hour	254	263	273	279	284
Non-Resident Per Credit Hour	837	889	944	971	998
IUPUI					
Resident Tuition & Fees	7,885	8,243	8,605	8,756	8,909
Non-Resident Tuition & Fees	24,428	26,606	29,062	29,571	30,088
Resident Per Credit Hour	242	248	254	258	263
Non-Resident Per Credit Hour	793	860	936	952	969
East					
Resident Tuition & Fees	6,069	6,281	6,496	6,639	6,787
Non-Resident Tuition & Fees	16,305	16,865	17,425	17,778	18,081
Resident Per Credit Hour	189	194	199	202	207
Non-Resident Per Credit Hour	530	547	563	573	583
Kokomo					
Resident Tuition & Fees	6,108	6,323	6,542	6,674	6,810
Non-Resident Tuition & Fees	15,374	16,430	17,486	17,778	18,081
Resident Per Credit Hour	189	193	198	203	207
Non-Resident Per Credit Hour	498	530	563	573	583
Northwest					
Resident Tuition & Fees	6,193	6,408	6,627	6,738	6,853
Non-Resident Tuition & Fees	16,381	16,929	17,477	17,778	18,081
Resident Per Credit Hour	192	197	201	205	209
Non-Resident Per Credit Hour	531	547	563	573	583
South Bend					
Resident Tuition & Fees	6,290	6,507	6,728	6,815	6,905
Non-Resident Tuition & Fees	16,617	17,050	17,483	17,778	18,081
Resident Per Credit Hour	195	200	205	208	210
Non-Resident Per Credit Hour	539	551	563	573	583
Southeast					
Resident Tuition & Fees	6,163	6,365	6,575	6,699	6,827
Non-Resident Tuition & Fees	15,428	16,466	17,509	17,778	18,081
Resident Per Credit Hour	189	194	199	204	208
Non-Resident Per Credit Hour	498	531	563	573	583

Source: University Institutional Research and Reporting

¹ Where “& Fees” are shown, the figures include Mandatory Fees. See “Mandatory Fees”.

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Graduate & Professional Students Tuition and Fees ¹

Academic Year	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14 ²</u>	<u>2014-15 ²</u>
Bloomington					
Resident Tuition & Fees	\$7,911	\$8,519	\$9,009	\$9,248	\$9,497
Non-Resident Tuition & Fees	21,311	22,739	23,795	25,153	26,595
Resident Per Credit Hour	292	310	322	332	342
Non-Resident Per Credit Hour	850	902	938	994	1,054
IUPUI					
Resident Tuition & Fees	7,427	8,078	8,619	8,795	8,976
Non-Resident Tuition & Fees	21,088	22,696	23,967	23,991	24,015
Resident Per Credit Hour	283	303	318	325	331
Non-Resident Per Credit Hour	852	912	958	958	958
East					
Resident Tuition & Fees	5,797	6,176	6,554	6,732	6,857
Non-Resident Tuition & Fees	14,115	14,418	14,721	15,061	15,353
Resident Per Credit Hour	225	238	251	256	261
Non-Resident Per Credit Hour	572	581	591	603	615
Kokomo					
Resident Tuition & Fees	5,836	6,226	6,615	6,732	6,857
Non-Resident Tuition & Fees	12,894	13,838	14,781	15,061	15,353
Resident Per Credit Hour	225	238	251	256	261
Non-Resident Per Credit Hour	519	555	591	603	615
Northwest					
Resident Tuition & Fees	6,120	6,363	6,606	6,732	6,857
Non-Resident Tuition & Fees	13,654	14,213	14,772	15,061	15,353
Resident Per Credit Hour	237	244	251	256	261
Non-Resident Per Credit Hour	551	571	591	603	615
South Bend					
Resident Tuition & Fees	5,974	6,293	6,612	6,732	6,857
Non-Resident Tuition & Fees	14,051	14,414	14,779	15,061	15,353
Resident Per Credit Hour	230	241	251	256	261
Non-Resident Per Credit Hour	567	579	591	603	615
Southeast					
Resident Tuition & Fees	6,059	6,346	6,638	6,732	6,857
Non-Resident Tuition & Fees	13,115	13,957	14,804	15,061	15,353
Resident Per Credit Hour	232	241	251	256	261
Non-Resident Per Credit Hour	526	559	591	603	615

Source: University Institutional Research and Reporting

¹ Where “& Fees” are shown, the figures include Mandatory Fees. See “Mandatory Fees”.

² Through academic year 2012-13, the regional campuses had varying amounts as shown, which became standardized in academic year 2013-14.

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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

Academic Year	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Bloomington Student Activity, Technology and Other Campus Service Fees ¹	\$904	\$911	\$923	\$930	\$941
Bloomington Repair & Rehabilitation (“R&R”) Fees	0	180	360	360	360
IUPUI Student Activity, Technology and Other Campus Service Fees ^{1,2}	630	646	662	686	711
IUPUI R&R	0	160	320	320	320
Regional Campus Student Activity and Technology Fees ³	393-491	402-491	412-496	469	471
Regional Campus R&R ³	0	60	120	120	120

Source: University Institutional Research and Reporting

¹ Amounts shown are for full-time students at Bloomington and IUPUI. Rates for part-time students are based on credit hours taken. Bloomington's fees include health and transportation. IUPUI's fees are billed as a general fee.

² IUPUI Professional programs in Medicine & Dentistry pay additional mandatory fees not shown.

³ Students at regional campuses pay mandatory fees, which may be on a credit hour basis. Amounts shown are for full-time students at regional campuses administered by the University. Through academic year 2012-13, the regional campuses had varying amounts as shown, which became standardized in academic year 2013-14.

Student Budget The following student budget is being used by the University's Bloomington Office of Student Financial Assistance and represents an estimate of standard per-student costs for undergraduate first-year students at the Bloomington campus for the academic year shown.

**Estimated Student Budget for the 2014-15 Academic Year
for an Undergraduate First-Year Student**

<u>Cost of Attendance</u>	<u>Resident</u>	<u>Non-Resident</u>
Instructional Fees	\$9,087	\$31,940
Mandatory Fees	<u>1,301</u>	<u>1,301</u>
Tuition and Fees Subtotal	\$10,388	\$33,241
Room/Board ¹	9,493	9,493
Books/Supplies	1,500	1,500
Miscellaneous	2,106	2,106
Transportation	<u>930</u>	<u>930</u>
Other Costs Subtotal	<u>\$14,029</u>	<u>\$14,029</u>
Estimated Budget Total	\$24,417	\$47,270

Source: University Institutional Research and Reporting

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 Fee Revenues 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.

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Student Fee Revenues ¹
(dollars in thousands)

Fiscal Year Ended June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Student Fees Per Indenture</u>	<u>\$1,088,373</u>	<u>\$1,145,260</u>	<u>\$1,210,085</u>	<u>\$1,255,936</u>	<u>\$1,303,046</u>
<u>Student Fees Per Financial Report</u>					
Gross Student Fees	\$1,088,373	\$1,145,260	\$1,210,085	\$1,255,936	\$1,303,046
Less Scholarship Allowance	<u>(170,091)</u>	<u>(189,079)</u>	<u>(198,207)</u>	<u>(211,509)</u>	<u>(223,516)</u>
Student Fees Net of Scholarship Allowance	<u>\$ 918,282</u>	<u>\$ 956,181</u>	<u>\$1,011,878</u>	<u>\$1,044,427</u>	<u>\$1,079,530</u>

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".

Student Financial Aid

Excluding the Fort Wayne Campus, approximately 69% of the students at the University receive financial aid that is processed through the University who are enrolled at census or received a degree in the 12-month period between September 1, 2013 and August 30, 2014. A substantial portion of the funds provided are derived from sources outside the 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 currently apply. The table summarizes the financial aid, including parent loans, provided to IU students, for each of the last five fiscal years shown below.

Student Financial Aid ^{1,2}
(dollars in thousands)

Fiscal Year Ended June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gifts and Grants	\$ 442,993	\$ 487,494	\$ 498,748	\$ 519,019	\$ 548,653
Loans	624,888	650,105	652,010	620,989	579,682
Work Study	<u>5,516</u>	<u>5,764</u>	<u>4,929</u>	<u>4,431</u>	<u>4,447</u>
Total Financial Assistance	<u>\$1,073,397</u>	<u>\$1,143,363</u>	<u>\$1,155,687</u>	<u>\$1,144,439</u>	<u>\$1,132,782</u>

Source: University Institutional Research and Reporting

¹ Student Financial Aid shown summarizes the aid given to students enrolled during a fiscal year. For fiscal years ended 2010 through 2011, this includes semesters/sessions summer I, fall semester, spring, and summer II. For fiscal year 2012 forward, student aid is based on fall and spring semesters, and a trailing summer session.

² Excludes Fort Wayne Campus.

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, 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, is as follows:

Statement of Revenues, Expenses and Changes in Net Position ¹
(dollars in thousands)

Fiscal Year Ended June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating revenues					
Student fees	\$1,088,373	\$1,145,260	\$1,210,085	\$1,255,936	\$1,303,046
Less scholarship allowance	(170,091)	(189,079)	(198,207)	(211,509)	(223,516)
Federal grants and contracts	318,646	344,642	325,208	306,524	290,301
State and local grants and contracts	23,830	17,074	21,881	20,502	19,962
Nongovernmental grants and contracts	102,839	103,439	101,957	139,802	146,211
Sales and services of educational units	64,475	60,869	62,975	61,724	65,374
Other revenue	181,640	190,661	227,540	220,912	222,871
Auxiliary enterprises ²	<u>323,571</u>	<u>330,550</u>	<u>314,479</u>	<u>352,845</u>	<u>370,992</u>
Total operating revenues	1,933,283	2,003,416	2,065,918	2,146,736	2,195,241
Operating expenses					
Compensation and benefits	1,684,964	1,731,042	1,744,609	1,781,973	1,850,432
Student financial aid	150,779	165,299	163,565	159,240	152,532
Energy and utilities	64,031	68,534	71,561	70,504	77,361
Travel	36,930	40,219	47,449	47,245	48,840
Supplies and general expense	430,712	443,499	478,461	521,813	564,623
Depreciation and amortization expense	<u>125,715</u>	<u>130,538</u>	<u>133,482</u>	<u>140,766</u>	<u>145,158</u>
Total operating expenses	<u>2,493,131</u>	<u>2,579,131</u>	<u>2,639,127</u>	<u>2,721,541</u>	<u>2,838,946</u>
Total operating loss	(559,848)	(575,715)	(573,209)	(574,805)	(643,705)
Nonoperating revenues (expenses)					
State appropriations	549,755	549,917	515,421	509,598	519,417
Grants, contracts, and other	99,613	120,035	116,257	115,250	112,795
Investment income	103,265	89,644	74,637	47,668	95,560
Gifts	78,049	104,814	105,235	100,259	108,305
Interest expense	<u>(32,401)</u>	<u>(33,155)</u>	<u>(31,100)</u>	<u>(30,730)</u>	<u>(36,547)</u>
Net nonoperating revenues	798,281	831,255	780,450	742,045	799,530
Income before other revenues, expenses, gains, or losses	238,433	255,540	207,241	167,240	155,825
Capital appropriations	3,005	11,984	14,157	-	25,876
Capital gifts and grants	17,323	14,565	19,775	21,062	19,102
Additions to permanent endowments	<u>545</u>	<u>45</u>	<u>500</u>	<u>1,022</u>	<u>387</u>
Total other revenues	20,873	26,594	34,432	22,084	45,365
Increase in net position	259,306	282,134	241,673	189,324	201,190
Net position, beginning of year	<u>2,417,561</u>	<u>2,676,867</u>	<u>2,959,001</u>	<u>3,200,674</u>	<u>3,389,998</u>
Net position, end of year	<u>\$2,676,867</u>	<u>\$2,959,001</u>	<u>\$3,200,674</u>	<u>\$3,389,998</u>	<u>\$3,591,188</u>

Source: Audited IU Financial Report

¹ Statement was referred to as Statement of Revenues, Expenses and Changes in Net Assets for fiscal years ended 2010 through 2012.

² Net of scholarship allowance of \$18,750; \$21,151; \$22,411; \$24,391; and \$27,612 (in thousands) for fiscal years ended 2010 through and including 2014, respectively.

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 takes into consideration the specific amounts of State appropriations authorized by the General Assembly, along with the University’s budget requirements and other revenue sources when establishing student fees and other fees for each academic year.

The University has adopted a balanced operating budget for the fiscal year ending June 30, 2015. Total budgeted revenues and expenditures for campuses for 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	2015
Student Fees	\$1,253,176
State Appropriation	521,700
Grants and Contracts	418,900
Sales and Services	93,997
Auxiliary Enterprises	400,503
Designated and Other Restricted	249,716
Investment	10,816
Gifts	4,771
Other	<u>195,326</u>
Total	<u>\$3,148,905</u>
Expenditures by Fund Group ³	
General	\$2,079,786
Designated and Other Restricted	<u>249,716</u>
Subtotal	\$2,329,502
Grants and Contracts	418,900 ⁴
Auxiliary Enterprises	<u>400,503</u>
Total	<u>\$3,148,905</u>
General and Other Restricted	
Expenditures by Function	
Instruction	\$1,060,176
Research and Public Service	47,590
Academic and Student Support	528,648
Physical Plant	233,965
Student Financial Aid	324,112
Institutional Support	<u>135,011</u>
Total	<u>\$2,329,502</u>

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 Net of internal transfers.

⁴ Includes research, service and instruction expenditures.

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State Appropriations to the University

The University has historically received, and continues to expect to receive, appropriations from the General Assembly. Annual 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 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.

In the 2013-15 biennium, total State operating and restricted special appropriations to the University increased by 3.9 percent or \$18,178,674 per fiscal year, and general maintenance, repair and rehabilitation appropriations also increased. Pursuant to a directive from the Governor on December 9, 2013, the general operating and certain restricted special appropriations to the University were reduced in fiscal year 2014 by \$9,599,650 or 2.0%. Pursuant to a directive from the Governor on June 18, 2014, the State Budget Agency Director is withholding a reserve from Indiana's public universities, for which the unrestricted general operating and certain restricted special appropriations to the University may be reduced in fiscal year 2015 in the amount of \$9,599,650 or 2.0%.

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 appropriation, 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	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (est.)</u>
<u>As Appropriated</u>					
Unrestricted General Operating & Restricted Special					
Fee Replacement ¹	\$504,332	\$463,932	\$463,932	\$482,110	\$482,110
General Maintenance, R&R and Capital ²	70,852	51,638	48,296	46,857	52,910
	<u>12,601</u>	<u>0</u>	<u>0</u>	<u>25,876</u>	<u>53,036</u>
Total Appropriated	<u>\$587,785</u>	<u>\$515,570</u>	<u>\$512,228</u>	<u>\$554,843</u>	<u>\$588,056</u>
<u>As Received</u>					
Unrestricted General Operating & Restricted Special ³	\$472,334	\$463,932	\$463,932	\$472,511	\$472,511
Fee Replacement ¹	72,553	51,441	45,666	46,857	52,350
General Maintenance, R&R and Capital ²	7,638	24,356	0	25,876	53,036
Total Received/Anticipated to be Received	<u>\$552,525</u>	<u>\$539,729</u>	<u>\$509,598</u>	<u>\$545,244</u>	<u>\$577,897</u>

Source: Office of the Treasurer; University Budget Office

¹ The variances in "As Appropriated" and "As Received" for Fee Replacement in fiscal years 2011 through and including 2013 and 2015 reflect issuance and refunding activity; all fee replacement appropriations for issued student fee bonds were received. Fiscal year 2014 was updated from the prior reporting, since a student fee bond series was not issued. Fiscal year 2015 reflects Fee Replacement eligibility for Student Fee Bonds, Series W.

² For fiscal year 2015, \$26,036,298 in R&R has been received from the State for full 2013-15 biennial R&R appropriations. The 2013-15 biennial of one-time capital appropriation of \$27,000,000 shown in fiscal year 2015 has not been received.

³ The Unrestricted General Operating & Restricted Special "As Received" shown for fiscal year 2014 reflects the actual reduction of \$9,599,650 or 2.0%. The Unrestricted General Operating & Restricted Special "As Received" shown for fiscal year 2015 reflects an estimated reduction of \$9,599,650 or 2.0%.

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

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, 2014, the assets of the Foundation and the assets of the University managed by the Foundation had a market value of approximately \$2,596,504,000, the majority of which consisted of funds restricted for University purposes. Distributions from endowment earnings received by the University in fiscal year 2014 totaled approximately \$72.0 million, which represented approximately 2.50% of estimated total University revenues during fiscal year 2014.

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	Assets¹	Net Assets	Total Revenue and Support²	University Unrestricted Program Expenditures³
2010	\$1,767,561	\$1,486,267	\$352,992	\$145,704
2011	2,054,875	1,741,608	379,646	102,174
2012	2,105,534	1,730,081	128,517	107,057
2013 ⁴	2,277,566	1,903,286	309,273	105,726
2014	2,596,504	2,165,174	433,845	140,665

Source: Indiana University Foundation - The Foundation financial statements as of June 30, 2014 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 \$168,220,929; \$207,860,506; \$208,809,374; \$224,896,799; and \$265,276,627 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 These University related program expenditures primarily support grants and aid to the University and endowment and capital additions for the University.

⁴ Fiscal year 2013 Assets and Total Revenue and Support reflect rounding to the nearest thousands.

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.

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The following table summarizes the annual contributions through the Foundation for each of the fiscal years indicated:

Private Contributions to the Indiana University Foundation

<u>Fiscal Year Ended June 30</u>	<u>Number of Donors</u>	<u>Receipts ¹ (dollars in thousands)</u>
2010	123,652	\$166,806
2011	123,016	146,886
2012	117,813	154,035
2013	120,703	153,538
2014	119,892	158,143

Source: Indiana University Foundation

¹ Lilly Endowment, Inc. has provided \$32,165,000 in contributions through the Foundation for University support and faculty research during the fiscal years shown.

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 market 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)

<u>Fiscal Year Ended June 30</u>	<u>Fair Value</u>
2010	\$172,592
2011	207,594
2012	206,712
2013	218,036
2014	254,779 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, 2014 is \$255,751,378 (unaudited).

Physical Plant

As of June 30, 2014, the various campuses of the University covered a total of 3,664 acres. As of fall 2013, there are 882 buildings on the campuses administered by the University and Fort Wayne, encompassing 36.2 million gross square feet, of which 22.0 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 11.9 million square feet; auxiliary enterprise services are assigned 10.0 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
2010	\$2,316,762
2011	2,422,233
2012	2,533,362
2013	2,695,502
2014	2,729,895

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 capital projects that are currently included in the University's near-term financing plan.

Planned Capital Projects
(dollars in thousands)

Bond Type	Project Name	Campus	Financing Amount
Student Fee Bonds ¹	Arts and Sciences Bldg. ²	Northwest	\$45,000
Student Fee Bonds ¹	Academic Core Renov. – Ph. I ²	Bloomington	21,000
Lease Purchase Obligations ³	Assembly Hall Renovation ⁴	Bloomington	35,000
Consolidated Revenue Bonds ³	Campus Housing Expansion ⁴	IUPUI	41,700
Total			\$142,700

¹ Secured by a pledge of student fees

² Projects have been approved by the General Assembly and fee replacement has been appropriated for the 2013-15 biennium for these projects. Arts and Sciences Bldg. was formerly Tamarack Hall & Ivy Tech Community College. The Academic Core Renov. – Ph. I is to renovate Franklin Hall. Both projects are to be financed with Student Fee Bonds, Series W.

³ Payable from certain legally available funds of the University.

⁴ Anticipated to be financed in 2015, subject to receipt of all appropriate State approvals and market conditions.

In addition to the projects described above, the University is considering approximately \$53 million of financing related to academic or administrative projects in fiscal year 2016 for which the funding source is not yet known. The University retains the right to change the projects and/or amounts considered within its capital program without notice.

The University has used its tax-exempt commercial paper (“TECP”) programs to provide interim financing for certain capital projects and may do so in the future. As of December 1, 2014, no TECP is outstanding.

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, 2014 is fixed-rate debt, with no underlying swaps. The total outstanding bonded indebtedness (unaudited) as of December 1, 2014 is summarized in the table that follows.

Facilities Indebtedness as of December 1, 2014¹
(dollars in thousands)

<u>Type of Issuance</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
Student Fee Bonds ²	\$ 676,705	\$377,882 ^{3,4}
Consolidated Revenue Bonds ⁵	441,265	388,380
Obligations ⁶	<u>85,730</u>	<u>81,350</u>
Total	<u>\$1,203,700</u>	<u>\$847,612</u>

Source: Office of the Treasurer

¹ This table does not reflect unamortized bond premium or deferred outflows.

² Secured by a pledge of Student Fees.

³ This number is net of the accreted value of outstanding capital appreciation bonds (“CABs”). Subsequent to the most recent debt service payment as of August 1, 2014, the principal amount outstanding as of December 1, 2014 for Student Fee Bonds, including the accreted value of the CABs through August 1, 2014, is \$385,780,449.

⁴ Includes principal amounts of the Refunded Bonds to be refunded and defeased with the proceeds of the Series W Bonds.

⁵ Payable from certain legally available funds of the University.

⁶ Includes Lease Purchase Obligations and Certificates of Participation

All the sections that follow are included in the accompanying Indiana University Financial Report, 2013-14 - Notes 11 through 14 and under Required Supplementary Information.

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 \$250,000 for each claim and \$750,000 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 additional \$1,000,000 coverage through commercial insurances.

The University has four 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 15% of the paid self-funded claims during the fiscal year, and totals \$25,969,000 and \$25,133,000 at June 30, 2014 and 2013, respectively. In addition, a potential claims fluctuation liability of \$9,876,000 has been recorded at June 30, 2014 and 2013.

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 \$2,614,000 at June 30, 2014. Funding for the medical residents plan is provided by direct charge to the School of Medicine and the other plans are funded by direct charges to the associated schools and/or departments.

Retirement Plans

The University provided retirement plan coverage to 18,691 and 18,494 active employees, as of June 30, 2014 and June 30, 2013, 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% 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) with two distinct contribution provisions. The University contributed \$621,000 during fiscal year ended June 30, 2014, to TIAA-CREF for the plan. The University contributed \$132,000 during fiscal year ended June 30, 2014, to Fidelity Investments for the plan. Under this plan, 719 employees directed University contributions to TIAA-CREF as of June 30, 2014. In addition, 130 directed University contributions to Fidelity Investments as of June 30, 2014.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109, or by calling 1-800-343-0860.

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 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 5,238 and 6,267 active University employees covered by this retirement plan as of June 30, 2014 and June 30, 2013, respectively. State statutes authorize the University to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. The annuity savings account consists of contributions set by State statute at three percent of compensation plus the earnings credited to members’ accounts. The University has elected to make the contributions on behalf of the members. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-888-526-1687, or reviewing the Annual Report online at www.in.gov/inprs/annual-reports.htm.

Contributions made by the University totaled \$28,077,000 and \$25,785,000 for fiscal years ended June 30, 2014 and June 30, 2013, respectively. This represented a 11.2% and 9.7% University pension benefit contribution for fiscal years ended June 30, 2014 and June 30, 2013, respectively, and a 3% University contribution for the annuity savings account provisions each year.

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

The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension benefits when they become due. The amortization method and period are level dollar closed over 30 years. The actuarial cost method is entry age normal cost. The employer required contribution is determined using an asset smoothing method. The actuarial valuation date is June 30, 2013.

Actuarial assumptions include: (a) an investment rate of return of 6.75%, (b) projected salary increases of 3.25%-4.5%, and (c) a 1% cost of living increase granted in each future year, applying to current and future retirees.

PERF Funding and Annual Pension Cost
(dollars in thousands)

Fiscal Year Ended June 30	2012	2013¹
Annual Required Contribution	\$ 22,735	\$ 19,567
Interest on Net Pension Obligation	246	571
Adjustment to Annual Required Contribution	(284)	(665)
Annual Pension Cost	22,697	19,473
Contributions Made	(17,757)	(19,896)
Increase (Decrease) in Net Pension Obligation	4,940	(423)
Net Pension Obligation, Beginning of Year	3,522	8,462
Net Pension Obligation, End of Year	\$ 8,462	\$ 8,039

Source: Audited IU Financial Report

¹ Actuarial data for 2014 was not available at the time of the financial report.

Annual Pension Cost Contributed and Net Pension Obligation
(dollars in thousands)

Fiscal Year Ended June 30	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
2011	21,893	68%	3,522
2012	22,697	78%	8,462
2013	19,473	102%	8,039

Source: Audited IU Financial Report

¹ Does not reflect costs attributable to the University's 3.0% defined contribution benefit. See "Indiana Public Employees' Retirement Fund" above.

Academic and Professional Staff Employees Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. The University contributed \$60,129,000 during fiscal year ended June 30, 2014 and \$61,118,000 during fiscal year ended June 30, 2013, to TIAA-CREF for the IU Retirement Plan. The University contributed \$31,042,000 during fiscal year ended June 30, 2014, and \$28,669,000 during fiscal year ended June 30, 2013, to Fidelity Investments for the IU Retirement Plan. Under this plan, 7,569 and 7,743 employees directed University contributions to TIAA-CREF as of June 30, 2014 and June 30, 2013, respectively. In addition, 5,791 and 5,185 employees directed University contributions to Fidelity Investments as of June 30, 2014 and June 30, 2013, respectively.

In addition to the above, the University provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above on or before June 30, 1999. There were 1,011 and 1,057 active

employees on June 30, 2014 and June 30, 2013, 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 \$2,045,000 and \$2,553,000 to IUSERP during fiscal years ended June 30, 2014 and June 30, 2013, 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 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, 2014, the university made total payments of \$31,039,000 to 348 individuals receiving IU 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2013, the University made total payments of \$32,027,000 to 361 individuals receiving IU 18/20 Retirement Plan payments.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109, or by calling 1-800-343-0860.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost The University has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the Trustees of Indiana University. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant’s lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2014 and June 30, 2013, 87 and 95 employees, respectively, were eligible to participate. University contributions related to this plan totaled \$1,130,000 and \$1,611,000, for fiscal years ended June 30, 2014 and June 30, 2013, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution.

The following schedule shows the funding policy contributions for the fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation report prepared as of July 1, 2013, for the fiscal year ended June 30, 2014, prepared as of July 1, 2012, for the fiscal year ended June 30, 2013, and prepared as of July 1, 2011 for the fiscal year ended June 30, 2012:

IU Replacement Retirement Plan Funding Contributions
(dollars in thousands)

Fiscal Year Ended June 30	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cost of benefits earned during the year	\$ 811	\$ 796	\$ 691
Amortization of unfunded actuarial accrued	664	716	370
Interest	<u>96</u>	<u>98</u>	<u>69</u>
Funding policy contribution	<u>\$1,571</u>	<u>\$1,610</u>	<u>\$1,130</u>

Source: Audited IU Financial Report

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The funded status of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2012, 2013, and 2014 are as follows:

IU Replacement Retirement Plan Funded Status
(dollars in thousands)

Actuarial Valuation Date	<u>July 1, 2011</u>	<u>July 1, 2012</u>	<u>July 1, 2013</u>
Actuarial accrued liability (“AAL”)	\$ 23,034	\$ 23,818	\$ 21,438
Actuarial value of plan assets	<u>(14,558)</u>	<u>(14,838)</u>	<u>(16,896)</u>
Unfunded actuarial liability	8,476	8,980	4,542
Actuarial value of assets as a % of AAL (funded ratio)	<u>63.2%</u>	<u>62.3%</u>	<u>78.8%</u>
Annual covered payroll	\$ 8,679	\$ 8,445	\$ 8,411
Ratio of unfunded actuarial liability to annual covered payroll	97.7%	106.3%	54.0%

Source: Audited IU Financial Report

Actuarial assumptions include a 6.5% asset rate of return and future salary increases of 3% for the fiscal year ended June 30, 2014 and June 30, 2013. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

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

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

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*. 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. The University provides medical care coverage to individuals with University 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 University retiree status. The health and life insurance plans have been established and may be amended under the authority of the Trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to an early retirement incentive plan, approved by executive management in fiscal year 2011 and 2014, which includes five years of annual contributions to a health reimbursement account.

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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 \$2,503,000 and \$2,018,000 in premiums in the fiscal years ended June 30, 2014 and 2013, respectively. The University contributed \$51,780,000 and \$51,608,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2014 and 2013, respectively.

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

The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and the University's net OPEB obligation as provided by the actuarial results for the fiscal years ended June 30, 2014 and 2013, respectively:

Annual Other Postemployment Benefit Plans Cost
(dollars in thousands)

Fiscal Year Ended June 30	2013	2014
ARC/Annual OPEB cost	\$ 54,714	\$ 55,623
Less Employer contribution	<u>(51,608)</u>	<u>(51,780)</u>
Increase in OPEB obligation	3,106	3,843
Net OPEB obligation, beginning of year	<u>22,758</u>	<u>25,864</u>
Net OPEB obligation, end of year	<u>\$ 25,864</u>	<u>\$ 29,707</u>
Percentage of annual OPEB cost contributed	94.32%	93.09%

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:

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Date	(a)	(b)	(b) – (a)	(a/b)	(c)	((b-a)/c)
July 1, 2012	–	\$390,227	\$390,227	0.0%	\$1,013,726	38.5%
July 1, 2013	–	364,137	364,137	0.0%	1,042,446	34.9%

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 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. 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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between 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 June 30, 2014, actuarial valuation. 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 are calculated based on the funded level of the Plan at June 30, 2014; and an annual healthcare cost trend rate that ranges from 9.0% in fiscal year 2015 to 5.0% in fiscal year 2023. 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.

Termination Benefits

In fiscal year 2014, the University offered certain employees an Early Retirement Incentive Plan (“ERIP”).

The ERIP provided three benefits not normally provided to separating employees: (a) a lump sum income replacement payment; (b) five years of annual contributions to a health reimbursement account (HRA) account that reimburses employees, based on their current medical plan enrollment, for some healthcare expenses, such as premiums, deductibles, and copays; (c) the option to continue in an IU-sponsored medical plan until age 65. Employees with IU Retiree Status could opt to participate in a post-65 Medicare supplement medical plan. The opting employees would need to pay their respective full premium amounts to receive this benefit.

Depending on the eligibility criteria of the participating employees, the early retirement became effective from one of two dates, as shown in the table below:

<u>Retirement Date</u>	<u>Number of ERIP Participants</u>
December 31, 2013	108
May 31, 2014	<u>212</u>
Total	320

Source: Audited IU Financial Report

In fiscal year 2014, the University recognized the expense for the income replacement payments for all employees participating in the ERIP. The actuarial accrued liability associated with Other Post-Employment Benefits was increased by \$6,134,000 for health reimbursement account contributions.

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Required Supplementary Information

Schedule of Funding Progress for IU Replacement Retirement Plan
(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, 2011	\$14,558	\$23,034	\$8,476	63.2%	\$8,679	97.7%
July 1, 2012	14,838	23,818	8,980	62.3%	8,445	106.3%
July 1, 2013	16,896	21,438	4,542	78.8%	8,411	54.0%

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, 2011	--	\$414,985	\$414,985	0.0%	\$ 984,200	42.2%
July 1, 2012	–	390,227	390,227	0.0%	1,013,726	38.5%
July 1, 2013	–	364,137	364,137	0.0%	1,042,446	34.9%

Schedule of Funding Progress for Public Employees' Retirement Fund
(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)
June 30, 2011	\$214,453	\$379,812	\$165,359	56.5%	\$215,496	76.7%
June 30, 2012	175,411	370,470	195,059	47.3%	211,519	92.2%
June 30, 2013	129,927	251,660	121,733	51.6%	201,139	60.5%

Source: Audited IU Financial Report

APPENDIX B

**FINANCIAL REPORT OF THE
UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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INDIANA UNIVERSITY



2013-2014 Financial Report

Financial Report 2013-14

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Message from the President



Michael A. McRobbie
President, Indiana University

The Honorable
Michael R. Pence
Governor, State of Indiana
State House, Room 206
200 West Washington Street
Indianapolis, IN 46204

Dear Governor Pence:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2013-14 Financial Report.

A number of recent studies from well-respected researchers have consistently shown that a college degree has never been more valuable to students. Consider these studies from 2014 alone:

- The Pew Research Center found that the wage gap between the college educated and those without a degree is higher for the 'millennial' generation than

for any previous generation. The study finds that college graduates have lower unemployment and poverty rates, and higher job satisfaction.

- MIT economist David Autor, in a study published in the journal *Science*, found that the cost of *not* graduating from college is in the range of \$500,000, given the higher pay and employment prospects from a degree.

It is clear that—perhaps more than ever before in our history—the future of our state and nation in a global, digital, information economy depends on the quality of our higher education.

Enhancing Our Commitment to Student Success

For almost two centuries Indiana University has been educating Hoosiers, and students from across the nation and around the world, at the highest levels of quality. For all of the many things a premier research university like IU does, students are its reason for being, and student success is at the core of its mission.

Great public universities like Indiana University educate students for what lies beyond the horizon. As the world around us changes, and as new avenues for better understanding the world and contributing to its improvement arise, what we teach and the manner in which we teach it must also evolve.

The *New Academic Directions Report* of 2011, a major effort to scrutinize and renew IU's educational programs, led to the establishment in Bloomington of:

- the School of Public Health,
 - the School of Informatics and Computing,
 - the School of Global and International Studies,
- and
- the Media School,
- while the Indianapolis campus has

seen the establishment of:

- the Lilly Family School of Philanthropy
- and
- the Fairbanks School of Public Health.

This process of self-examination and renewal must be ongoing. Indiana University will continue to conduct systematic reviews of our existing programs and realign schools and programs as necessary to leverage the university's strengths, to ensure that what we are teaching is relevant, and to respond to the needs of our students and the needs of the state.

But it is also imperative that we ensure that students are able to afford to pursue and complete degrees.

We have had great success in this regard through five key strategies that comprise our Affordable IU initiative. These strategies include:

- Keeping tuition increases as low as possible. IU's most recent tuition increases have been at the lowest levels in nearly 40 years.
 - Providing extensive financial aid for qualified students. IU has doubled institutional gift aid to students over the last seven years.
 - Ensuring that comprehensive measures are in place to assist all students in graduating on time. Our Finish in Four program effectively freezes tuition for juniors and seniors on track to graduate in four years.
 - Providing programs in financial literacy aimed at managing and reducing student loan debt. IU's Money Smarts programs reduced student debt across all IU campuses by \$31 million in just one year.
- and
- Implementing strategies to reduce other costs of attendance at IU. Costs of textbooks and software have been significantly reduced, and residence hall rate increases have been kept low.

IU will build upon these efforts to ensure that an Indiana University education is accessible and affordable for qualified students from diverse socio-economic backgrounds, including first-generation college students, veterans, and students from under-represented minorities.

Near-Record Enrollments

Despite changing demographics that have led to declining student populations at many universities, especially in the Midwest, enrollment at Indiana University continues to remain strong.

This fall, we enrolled a total 114,382 students across the state. This continued strong enrollment—which includes record student populations on our Indianapolis, IU East, and IU Kokomo campuses—along with the record 1.3 million credit hours that IU students are taking this fall as well as the extremely impressive profile of our incoming freshman class, are testament to IU's reputation as an affordable world-class educational institution.

Nevertheless, we cannot rest on these laurels. In all the areas mentioned above and more, we must continue to redouble our efforts to ensure the continued value and affordability of an IU education.

Catalyzing Research

Indiana University is a national leader in research, a long-standing member of the select Association of American Universities, and the home of scholars of outstanding international recognition.

The benefits to all the people of Indiana from having a great research university in the state are profound. Research universities spur economic growth, generate new industries, and educate and train a world-class workforce.

Our outstanding faculty members continue to successfully compete with top researchers across the nation and around the world for research funding that is becoming increasingly scarce.

IU's academic leadership and faculty will continue to work together to identify the grand challenges to which IU can contribute most effectively, and to provide support to multi-disciplinary and multi-campus research teams to address those challenges.

Fulfilling the Promise of the Global University

Today, increased international integration and global inter-connectivity are among the major forces driving and shaping our contemporary society. Understanding and responding to these forces is of paramount concern to all of us.

By any measure, Indiana University is one of America's leading international universities, and we continue to increase our international engagement. IU Bloomington now ranks fifth in the country in the overall number of students studying abroad. Study and service abroad are essential components of a 21st Century education meant to prepare students to live and work in a flat world. IU Bloomington also ranks 10th nationally in the number of international students enrolled.

Recognizing that global literacy and collaboration have never been more important to higher education in the United States, we inaugurated the School of Global and International Studies last year. The school now provides Hoosier students with deep knowledge and sophisticated tools to understand, critically evaluate, and ethically participate in this complex and interconnected world. The school also provides the nexus for many of our international engagement efforts.

The School of Global and International Studies brings together IU's extraordinary resources and strengths in global and international studies, including:

- more than 70 foreign languages taught, (more than any other university);
- 11 international area studies programs that receive funding through the U.S. Department of Education's Title VI Program (again, more than any other university);
- a great breadth and depth of international research and scholarship;

and

- a high level and wide variety of international engagement.

Indiana University has a long history of international institutional engagement, in the form of exchanges and partnerships with peer institutions around the globe. We now have over 200 such partnerships, and they can be found on every continent and in nearly every part of the world. Such relationships are vitally important to our research and education missions. They support faculty research, provide venues for study abroad programs, and are of great advantage in our faculty and student recruitment efforts.

We will also continue to expand IU's Global Gateway Network. In 2014, we officially dedicated the Indiana University China Office in Beijing and the IU India Office in New Delhi. These offices support a variety of activities, including scholarly research and teaching, study abroad programs, distance learning initiatives, student recruitment activities, executive and corporate training, and alumni events. We are also exploring the possibilities of opening such offices in the Middle East, Europe, Latin America, Africa, and South East Asia.

Health Sciences Research and Education to Improve the State and Nation's Health

The educational, research, and clinical activities of Indiana University's health science and clinical schools—which include the IU schools of medicine, nursing, dentistry, optometry, social work, public health, and health and rehabilitation sciences—are one of the major ways in which IU contributes to the social and economic development of the state of Indiana.

IU has also launched a major effort to address our state's poor performance among all states in measures of the leading causes of illness and death as well as measures of the determinants of health through the establishment of the Fairbanks School of Public Health on the IUPUI campus, and the School of Public Health at IU Bloomington. These two schools are now helping to improve public health by conducting research of the highest quality and by educating the next generation of public health professionals.



IU's impact is amplified even further by its close partnership with Indiana University Health, the state's most comprehensive healthcare system. This partnership allows research at the School of Medicine to be translated into new and improved treatments, procedures, and cures within IU Health hospitals and facilities. In turn, the revenues generated from the provision of such advanced health services and access to state-of-the-art treatments and facilities are invested in further research and training.

The IU School of Medicine, and a number of IU's other clinical schools will continue to build research capacity in selected areas of the health sciences, with emphasis on population health management, cancer, cardiovascular disease, and the neurosciences. And the IU School of Medicine will lead a statewide expansion of primary care residencies to help address the shortage of primary care physicians in the state.

The Bicentennial Strategic Plan for Indiana University

On January 20, 2020, we will celebrate Indiana University's bicentennial—an event of the greatest importance in the life of any institution. IU will be older than most universities in the United States and most universities in the rest of the world outside of Europe. The academic year in which the bicentennial falls—2019/20—will be a year of truly unique importance in the life of the university—a year of celebration and pride across all campuses and across the whole state, and a year to reflect on all that IU has achieved in the previous 200 years.

In 2013, I directed all IU campuses to collectively develop strategic plans for the next five years, identifying goals to

be completed and recognized during IU's bicentennial year. Those planning efforts have now been integrated into a single *Bicentennial Strategic Plan for Indiana University*. The current draft of the plan is available at strategicplan.iu.edu for public comment before it is presented to the IU Board of Trustees for approval.

The *Bicentennial Strategic Plan* includes an ambitious set of initiatives focused on student success and the value of an IU education; research and scholarly excellence; the university's role as an economic powerhouse in Indiana; and more—all of which are designed to carry IU into its third century as one of the premier public universities in the United States.

Conclusion

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 Senior Vice President, Chief Financial Officer and Treasurer



MaryFrances McCourt
*Senior Vice President, Chief Financial Officer
and Treasurer, Indiana University*

Dear President McRobbie and the Trustees of Indiana University:

I am pleased to present you with the consolidated financial report for Indiana University for the fiscal year ended June 30, 2014.

We continue to be recognized by Moody's Investor Services as one of only eight public institutions of higher education holding a Aaa long-term credit rating. This highest rating reflects not only IU's strong financial performance and focus on the highest standards of financial management, but also on the effective governance of our senior leadership and the Board of Trustees, our attention toward strong internal controls, our ability to plan over the short and long term, and our continued self-assessment and drive toward operating efficiency.

Institutions of higher education are operating in a "new normal" with revenue, cost, and competitive pressures causing us to rethink

historical practices while we meet the growing demands of students for greater affordability, reduced student debt, and a return on their higher education investment. Indiana University is committed to meeting these challenges as we focus on resource reallocation for strategic investment.

Through our efforts Indiana University has continued its strong financial track record and further strengthened its balance sheet. Continued efficiencies in our operation, strong investment performance, investment from the state, and the continued generosity of our donors have resulted in further growth of our net position – a critical indicator of current financial health – by \$201 million, or 5.9%.

Initiatives contributing to positive performance for fiscal year 2014 were:

- Implementation of an Early Retirement Incentive Program that provided attractive retirement packages for employees at or near retirement age while delivering savings to the university
- Implementation of a strategic parking plan to optimize revenue

streams, streamline processes and standardize parking procedures and systems

- Heightened focus on managed spend resulting in material procurement savings
- Reduction of healthcare costs through a significant shift to high deductible health plans
- Continued strong performance of our investment portfolio through increased focus on cash forecasting and tiered investment strategy

As we continue to chart our path toward long term financial strength, we will stay the course with our focus on cost containment and leveraging our scale to drive efficiency. There are several initiatives underway to broaden the scope of impactful work and collaborate across units, schools and campuses to implement best-in-class work.

But, cost containment will not drive long term viability. We must look for ways to offset the pressures on revenue growth. Our strategic plan will guide us as we encourage and incent schools and campuses to innovate in areas of new program development, commercialization,



external grants, and fundraising. We will also expand an initiative to develop institution-wide business analytics to aid in focused investment and predictive modeling.

Other Initiatives


Indiana University has gained national attention for its comprehensive student financial literacy programming and the 11%, or \$31 million, reduction in student debt over this past fiscal year. We are committed to delivering an affordable, quality education and have developed a six-point education affordability initiative to target all key drivers of student affordability.

We have bent the cost curve on healthcare with further engagement in our high deductible health plan. During a time when health care costs are rising, we have reduced our employee benefit rate, resulting in a \$28 million budget savings to redeploy to strategic initiatives. Healthy IU, our comprehensive institution-wide wellness initiative also signals our commitment to employee health and well-being. This initiative leverages knowledge experts from all aspects of wellness to provide accessible programming and environmental support.

Finance personnel across the university are also formally collaborating to identify further areas to drive efficiency with people, processes, and facilities.

It is an exciting time in higher education. Our current position of financial strength and the continued strong demand for the Indiana University brand will allow us to take an offensive approach as we embrace these challenges for improvement.

Sincerely,



MaryFrances McCourt
Senior Vice President, Chief Financial Officer and Treasurer





STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Opinions

In our opinion, based on our audits and the reports 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 aggregate discretely presented component unit of the University as of June 30, 2014 and 2013, and the respective changes in financial position, where applicable, and its cash flows thereof 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 (MD&A), the Schedule of Funding Progress for IU Replacement Retirement Plan, the Schedule of Funding Progress for Other Postemployment Benefits Plans, and the Schedule of Funding Progress for the Public Employees' Retirement Fund 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 the 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 an assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were 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 Senior Vice President, Chief Financial Officer and Treasurer, 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 Senior Vice President, Chief Financial Officer and Treasurer, 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 24, 2014 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, CPA
State Examiner

October 24, 2014

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Indiana University (the "university") for the fiscal years ended June 30, 2014 and 2013, along with comparative financial information for the fiscal year ended June 30, 2012. This discussion has been prepared by management to assist readers in understanding the accompanying financial statements and 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 by university management in accordance with Governmental Accounting Standards Board (GASB) principles.

The Statement of Net Position presents the university's financial position by reporting all assets, deferred outflows of resources, liabilities, and net position at the end of the fiscal years audited. Deferred outflows represent the consumption of resources applicable to a future financial reporting period. The statement as a whole provides information about the adequacy of resources to meet current and future operating and capital needs. Net position is the residual of all other elements presented in the Statement of Net Position and is one indicator of the current financial condition of the university.

The Statement of Revenues, Expenses, and Changes in Net Position presents the total revenues earned and expenses incurred by the university during the 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 activity during the 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, the ability to meet obligations as they come due, and the need for external financing.

Statement of Net Position

A comparison of the university's assets, deferred outflows of resources, liabilities, and net position at June 30, 2014, 2013, and 2012 is summarized as follows:

Condensed Statement of Net Position			
<i>(in thousands of dollars)</i>			
	<i>June 30, 2014</i>	<i>June 30, 2013*</i>	<i>June 30, 2012*</i>
Current assets	\$ 578,031	\$ 635,060	\$ 888,419
Capital assets, net	2,729,895	2,695,502	2,533,362
Other assets	1,717,852	1,559,666	1,337,428
Total assets	5,025,778	4,890,228	4,759,209
Deferred outflows of resources on refunding of debt			
	13,964	16,850	9,536
Current liabilities	391,896	417,846	463,308
Noncurrent liabilities	1,056,658	1,099,234	1,104,763
Total liabilities	1,448,554	1,517,080	1,568,071
Invested in capital assets, net of related debt	1,830,756	1,779,033	1,694,440
Restricted net position	261,879	213,279	163,304
Unrestricted net position	1,498,553	1,397,686	1,342,930
Total net position	\$ 3,591,188	\$ 3,389,998	\$ 3,200,674

*As reclassified in accordance with GASB 65.

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, future employee benefit and retirement costs, self-liquidity requirements, and other operational needs.

In fiscal year 2014, current assets declined \$57,029,000, or 9%, to \$578,031,000 at June 30, 2014. This decline is primarily due to a decline of cash, cash equivalents, and short-term investments totaling \$69,658,000. The objective of the university's operating fund investment policy is to adequately provide for the liquidity needs of the university while maximizing the opportunity to increase yield on investments. Continued investment portfolio rebalancing to optimize yield, along with spending of invested bond proceeds on capital projects, contributed to this shift to longer-term resources. Partially offsetting the impact of these amounts on current assets was

a \$12,565,000 increase in prepaid expenses representing payments for goods or services to be received in future periods. The overall decline in current assets is primarily a function of the university's operating, capital financing, and investing activities as reflected in the Statement of Cash Flows.

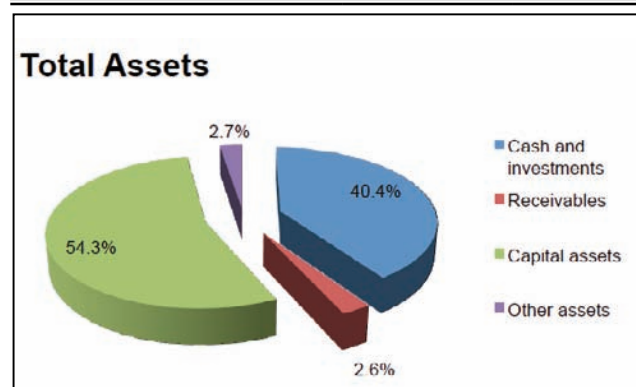
Major components of noncurrent assets are endowment and operating investments, and capital assets, net of accumulated depreciation. Noncurrent assets increased \$192,579,000, or 5%, to \$4,447,747,000 at June 30, 2014, compared to June 30, 2013. The market value of the university's noncurrent investment portfolio increased \$168,202,000, or 11%, to \$1,659,726,000 at June 30, 2014, largely due to operating portfolio rebalancing and unrealized gains on investments. Realized losses in the operating portfolio partially offset the increase.

As described in the Capital Assets section of Management's Discussion and Analysis, the university continues to actively invest in expanding and renovating facilities to support IU's central missions of education and research, and to enhance the student life experience. These investments in facilities capitalize on the unique character, structure, sense of place, culture, and physical form of the campuses.

Total assets increased \$135,550,000, or 3%, to \$5,025,778,000 as of June 30, 2014.

The following table and chart represent the composition of total assets:

Total Assets <i>(in thousands of dollars)</i>		
Cash and investments	\$ 2,032,400	40.4%
Receivables	131,915	2.6%
Capital assets	2,729,895	54.3%
Other assets	131,568	2.7%
Total assets	\$ 5,025,778	100.0%



Deferred Outflows of Resources

Deferred outflows of resources represent consumption of resources applicable to a future reporting period. The amounts recorded result from capital debt refunding transactions, and consist of the amortized cumulative differences between reacquisition prices and the net carrying amounts of previously issued debt.

Liabilities

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

Current liabilities declined \$25,950,000, or 6%, to \$391,896,000 at June 30, 2014, primarily due to a decline in unearned revenue. Unearned revenue is comprised of receipts for which recognition of the related revenue will be recognized in future periods. The university's unearned revenue is attributable in part to the academic calendar, in which a portion of summer session student fees collected in the current fiscal year is classified as unearned until the following fiscal year when the related summer session classes are taught. In addition, funds received in advance of expenditures on sponsored projects are classified as unearned revenue. The reduction of \$37,023,000 in current unearned revenue is primarily due to the timing of spending related to capital and other grants for which receipts were received in prior years in advance of related expenditures.

Noncurrent liabilities declined \$42,576,000, or 4%, to \$1,056,658,000 at June 30, 2014, due in large part to principal payments on bonds and notes payable of \$55,430,000. Noncurrent liabilities include other postemployment benefits, as described in Note 12, Postemployment Benefits.

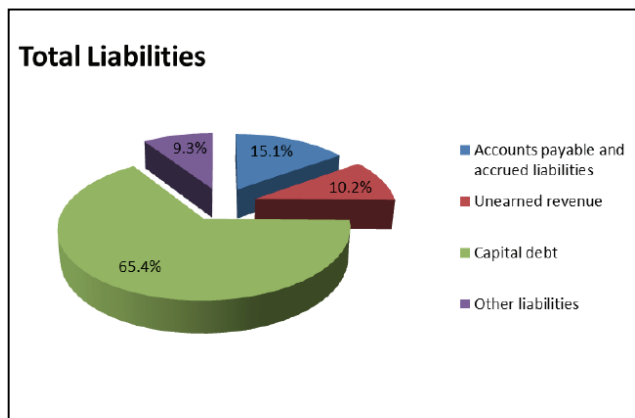
The university's capital debt outstanding of \$947,519,000 at June 30, 2014, and \$986,083,000 at June 30, 2013, after reclassification for the implementation of GASB 65 (See Note 1, Organization and Summary of Significant Accounting Policies), represents 65% of total liabilities at June 30, 2014 and 2013. A discussion of the university's capital financing activities appears in Note 7, Bonds and Notes Payable, and

Note 8, Lease Obligations, and in the Debt and Financing activity section below.

Total liabilities decreased \$68,526,000, or 5%, to \$1,448,554,000 at June 30, 2014.

The following table and chart represent the composition of total liabilities:

Total Liabilities <i>(in thousands of dollars)</i>		
Accounts payable and accrued liabilities	\$ 218,611	15.1%
Unearned revenue	147,120	10.2%
Capital debt	947,519	65.4%
Other liabilities	135,304	9.3%
Total liabilities	\$ 1,448,554	100.0%



Net Position

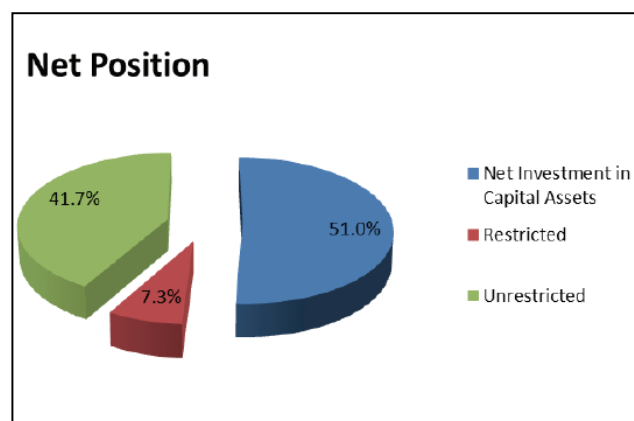
Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into three major categories:

- 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 that have been restricted by external parties and are divided into two sub-categories:
 - Restricted non-expendable funds must be held inviolate and in perpetuity. These balances represent the university's permanent endowment funds received for the purpose of creating present and future income.
 - 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:

Total Net Position <i>(in thousands of dollars)</i>		
Net investment in capital assets	\$ 1,830,756	51.0%
Restricted	261,879	7.3%
Unrestricted	1,498,553	41.7%
Total net position	\$ 3,591,188	100.00%



The university's net investment in capital assets reflects the institutional long-term investment in sustaining and enhancing the missions of research and education. The net investment in capital assets increased \$51,723,000, or 3%, to \$1,830,756,000 at June 30, 2014. Growth in this area is managed according to the university's long-range capital plans, along with operating units' needs for equipment and infrastructure to support programs and operational functions.

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 \$100,867,000, or 7%, to \$1,498,553,000 at June 30, 2014. This category of resources is essential for ongoing operational needs, funding ongoing obligations such as Other Postemployment Benefits, as well as for providing flexibility to support the university's mission in changing economic environments.

Net position in total increased \$201,190,000, or 6%, to \$3,591,188,000 at June 30, 2014.

Statement of Revenues, Expenses, and Changes in Net Position

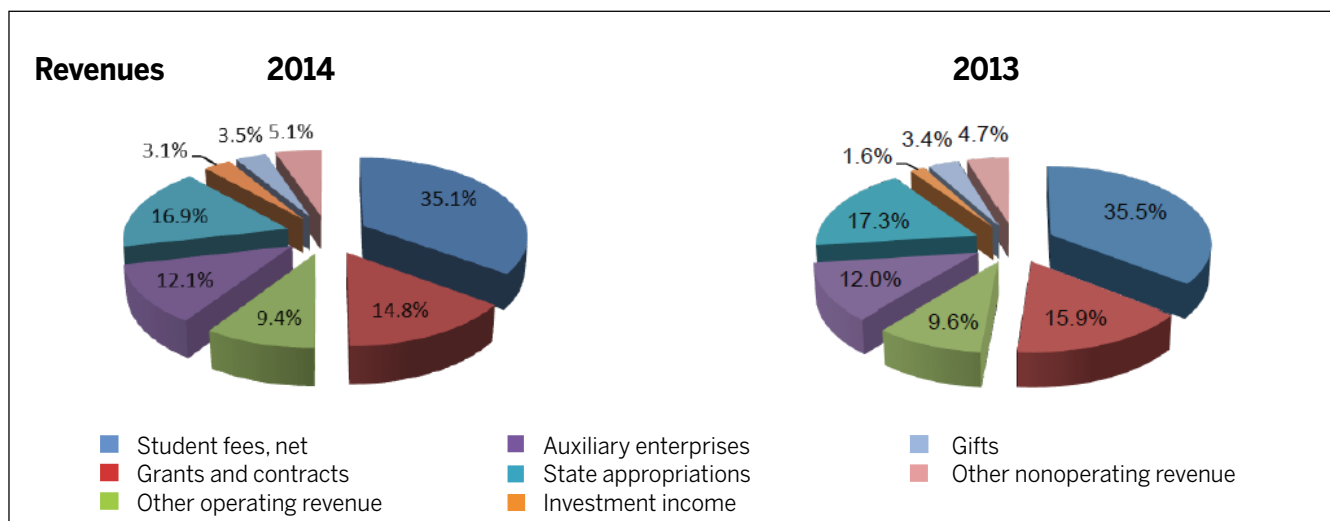
Revenues and expenses are classified as either operating or nonoperating, in accordance with GASB principles for classification into these categories. Trends in the relationship between operating revenues and expenses are important indicators of financial condition. Generally, operating revenues are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

Total revenues increased \$135,088,000, or 5%, to \$3,076,683,000 in fiscal year 2014. Total expenses increased \$123,222,000, or 4%, to \$2,875,493,000 in fiscal year 2014.

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 <i>(in thousands of dollars)</i>			
	<i>June 30, 2014</i>	<i>Fiscal Year Ended June 30, 2013</i>	<i>June 30, 2012</i>
Operating revenues	\$ 2,195,241	\$ 2,146,736	\$ 2,065,918
Operating expenses	(2,838,946)	(2,721,541)	(2,639,127)
Total operating loss	(643,705)	(574,805)	(573,209)
Nonoperating revenues	836,077	772,775	811,550
Nonoperating expenses	(36,547)	(30,730)	(31,100)
Income before other revenues, expenses, gains, or losses	155,825	167,240	207,241
Other revenues	45,365	22,084	34,432
Increase in net position	201,190	189,324	241,673
Net position, beginning of year	3,389,998	3,200,674	2,959,001
Net position, end of year	\$ 3,591,188	\$ 3,389,998	\$ 3,200,674

The following charts represent revenues by major source for fiscal years 2014 and 2013:



Total operating revenues increased \$48,505,000, or 2%, to \$2,195,241,000 in fiscal year 2014. 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 \$35,103,000, or 3%, over the prior fiscal year and represents 35% of total revenue. Tuition and fee revenue fluctuates according to a combination of changes in tuition rates, enrollment, and the mix of student levels and residency. Fiscal year 2014 tuition and fee rate increases are more than five points lower than the university's historical average, indicative of the university's strong focus on student affordability. Operating grant and contract revenue declined \$10,354,000, or 2%, to \$456,474,000 in 2014. Since 2010, the national trend in federal research funding has declined significantly, more recently due to the across-the-board federal sequestration cuts. Indiana University's federal grants and contracts revenue declined \$16,223,000, or 5%, to \$290,301,000. Nongovernmental grants and contracts revenue increased \$6,409,000, or 5%, to \$146,211,000, due to a combination of natural variability in the awarding of foundation and not-for-profit agency grants, along with revenue recognition timing as grant revenue is recognized in the financial statements as spending takes place.

Total operating expenses increased \$117,405,000, or 4%, to \$2,838,946,000 in fiscal year 2014. The combined total of student financial aid expense and scholarship allowances, including those related to auxiliary revenue, increased \$8,520,000, or 2%. The university's strategy to promote student affordability and to control student debt levels includes a focus on access to financial aid in conjunction with financial literacy programs. Compensation and benefits, at 65% of total operating expenses, represent the largest single university expense. Compensation and benefits expense increased \$68,459,000, or 4%, over the prior year, to \$1,850,432,000. University benefit plans are an important element in attracting and retaining employees to support the university's missions. Specific initiatives have been implemented to control benefit program expenses. Notably, the university has implemented a High Deductible Health Plan (HDHP) with lower employer premiums while providing employees with greater control over healthcare spending. Approximately 79% of employees were enrolled in an HDHP in 2014. The university implemented an Early Retirement Incentive Plan for 2014, applicable to full-time academic and staff employees meeting certain eligibility requirements. The program was instrumental in providing opportunities for cost savings, redirecting positions to focus on higher priorities, and avoiding or minimizing future involuntary reductions in personnel. Energy and utilities expense increased \$6,857,000, or 10%, over the prior year. In spite of the addition of new buildings

with an increase in square feet served on the Bloomington and IUPUI campuses, favorable electrical usage variances were achieved through energy savings measures. These factors were offset by increased electricity rates and higher fuel and steam costs related to the colder temperatures compared to the prior year.

Nonoperating revenues, net of interest expense, increased \$57,485,000, or 8%, to \$799,530,000 in 2014. State operating appropriations increased a total of \$9,819,000, or 2%, compared to fiscal year 2013. The State enacted an operating appropriation increase of \$16,512,000, or 3.6%, for the university for fiscal year 2014. In December 2013, the Governor of Indiana announced a 2% reserve on operating appropriations of all Indiana state universities' fiscal year appropriations. The reserve was withheld from the university's June 2014 claim and amounted to \$9,600,000. Special line item appropriations, net of the 2% cut, increased \$1,502,000. Student fee replacement appropriations are made for the purpose of reimbursing a portion of debt service for certain academic facilities. These funds are claimed according to the university's fee replacement-supported debt service schedules, and were not subject to the 2% reduction. Investment income increased \$47,892,000, or 100%, in fiscal year 2014 to \$95,560,000, primarily due to unrealized gains in 2014, compared to overall unrealized losses in 2013. The unrealized gains were partially offset by realized losses. Interest expense increased \$5,817,000 over 2013, primarily due to the timing of capitalization of construction period interest on completed projects.

The university recognized \$25,876,000 in capital appropriations in 2014. Capital gifts and grants received during the year include funding for projects for construction of the Neurosciences Research Building and renovation of the Rotary Building on the IUPUI campus, and building renovations on the South Bend campus.



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 <i>(in thousands of dollars)</i>			
	<i>June 30, 2014</i>	<i>Fiscal Year Ended June 30, 2013</i>	<i>June 30, 2012</i>
Net cash provided (used) by:			
Operating activities	\$ (532,911)	\$ (476,724)	\$ (446,436)
Noncapital financing activities	741,973	723,772	750,452
Capital and related financing activities	(206,182)	(336,521)	(166,036)
Investing activities	(24,195)	(220,405)	(72,943)
Net increase (decrease) in cash and cash equivalents	(21,315)	(309,878)	65,037
Beginning cash and cash equivalents	335,269	645,147	580,110
Ending cash and cash equivalents	\$ 313,954	\$ 335,269	\$ 645,147

Cash received from operations 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 are used to fund operating activities, including state appropriations, federal Pell grants, and private noncapital gifts. 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.

Capital Asset Activity

In his State of the University address, Indiana University President Michael McRobbie emphasized the importance of facilities to the University's overall mission: "New, expanded, and renovated facilities to support IU's central missions of education, research, and the long-term preservation of knowledge are a central priority of the university. They are critical to help recruit and retain the best faculty and researchers, ensure IU remains competitive in research and scholarship, and to help provide a high-quality living and educational environment for IU students on all campuses."

The university's investment in capital assets, net of depreciation, which include land, art and museum objects, infrastructure, equipment, and buildings, grew \$34,393,000, or 1%, to \$2,729,895,000 at June 30, 2014. Additions to capital assets are comprised of new construction, renewal and renovations, as well as major investments in equipment and information technology. Construction in progress includes academic and administrative building projects, student residence hall improvements, and construction of research facilities.

The Neurosciences Research Building is a new building on the IUPUI campus which provides scientists with state-of-the-art facilities in which to conduct a broad range of collaborative neuroscience research. In partnership with clinical care providers, the facility will be part of a national model for collaborative, transdisciplinary patient care, research, and education for neuropsychiatric and neurological disorders. The project features a unique connection

of lab support suites, which allows better access to the extensive biological model studies used in research. The research space is designed for flexibility to enable interdisciplinary research teams to be grouped according to health specialties rather than by traditional academic departments. Construction was completed in March 2014. The facility was awarded LEED Gold Certification in August 2014 for achieving high standards of energy-conscious and environmentally-sustainable design and construction. The 239,000 square foot facility was completed at a cost of \$48,000,000.

The Science and Engineering Laboratory Building on the IUPUI campus was dedicated in November 2013. The \$28,000,000 high-tech building provides facilities for education and research that contribute to the economic vitality of the state of Indiana. The facility provides 35,000 square feet of research and teaching space that enable scientists and scholars to engage in collaborative, multidisciplinary activities, critical to recruit and retain the best faculty and researchers. Among the interdisciplinary programs housed in the new building are biomedical engineering, forensic science, psychobiology, and renewable energy research.



Renovation of the Rotary Building, one of the oldest buildings on the Indiana University School of Medicine campus, was completed in May 2014. The \$8,000,000 project included all new mechanical, electrical, and plumbing systems, along with upgrades to the fire safety and security systems. Walls which divided the floors into small, inefficient rooms were removed to allow natural light to penetrate further into the building and to create open office areas on all floors. In addition, the building was brought up to current energy efficiency standards with new windows and newly insulated walls. The renovation created 40,000 square feet of office and academic space for School of Medicine departments and programs.

The Indiana University Jacobs School of Music officially opened its 85,000 square foot East Studio Building in fiscal year 2014. The facility highlights the entrance



to the university's music, fine arts, film, and performing arts district. Construction of the building, at a cost of \$38,000,000, was made possible by a grant from the Lilly Endowment. The state-of-the-art technical and acoustical facilities offer connectivity and technology to faculty and students with advanced teaching and practice space. Each studio features high-definition videoconferencing capabilities, allowing faculty to teach interactively around the world. In addition to faculty studios, the building houses administrative offices for the Jacobs School of Music.

The \$24,000,000 Forest Dining Hall project provides new and upgraded dining facilities for students on the Bloomington campus. A pedestrian-friendly north/south connector through the building was constructed to link the front of Forest Quad with Rose Avenue Residence Hall. The expansion portion of this project consisted of construction of a new 14,000 gross square foot, 700-seat dining hall featuring a "marketplace" with unique food venues. Installation of upgraded mechanical systems was included in the project. The project was completed in August 2013.



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 \$947,519,000 at June 30, 2014, and \$986,083,000 at June 30, 2013, after reclassifications for GASB Statement No. 65 (see Note 1).

On February 13, 2014, the university issued natural fixed rate Lease Purchase Obligations, Series 2014A with a par amount of \$21,045,000. The proceeds financed the construction of University Hall on the IUPUI campus and included the costs of issuing the bonds, including underwriters' discount. The true interest cost for the obligations was 3.8%.

The University's ratings on debt obligations were reviewed and reaffirmed in January 2014. On January 22, 2014, Moody's Investors Service rated lease purchase obligations and reaffirmed its underlying rating on student fee bonds, student residence system bonds, facility revenue bonds, consolidated revenue bonds, and certificates of participation as 'Aaa' with a stable outlook. On January 21, 2014, Standard & Poor's Ratings Services rated lease purchase obligations and reaffirmed its underlying rating on student fee bonds, student residence system bonds, facility revenue bonds, consolidated revenue bonds, and certificates of participation as 'AA+' with a stable outlook.

Economic Outlook

While the Indiana General Assembly appropriated a 3.6% system-wide increase in Indiana University operating appropriations for fiscal year 2014, the State Budget Agency withheld 2% of funds appropriated to each state university due to concerns over state revenue performance. Although the state slightly surpassed its December 2013 revenue forecast for fiscal year

2014, total revenues were \$60,000,000, or 0.4%, lower than fiscal year 2013 revenue collections. State revenue performance was impacted modestly by tax cuts enacted by the General Assembly that are being phased-in over several years (a nearly 1% reduction) and individual income tax collections were significantly below forecast. Sales tax collections achieved forecast, but grew at a modest rate of 1.9% over 2013, while corporate tax revenues strongly exceeded forecast by \$117,000,000, nearly offsetting the shortfall in individual income tax collections. Fortunately, the state's overall fiscal standing is strong with total reserve balances exceeding \$2,000,000,000, more than 13% of state revenues.

For fiscal year 2015, total state revenues are forecast to increase by 3.2% over actual fiscal year 2014 collections, after accounting for the continued phase-in of previously enacted tax cuts. Indiana's unemployment rate improved substantially during 2014, dropping from 8.4% in July 2013 to 5.9% in June 2014. With lower unemployment, there is hope that individual income and sales tax collections will improve during fiscal year 2015 compared to fiscal year 2014, which will be essential to achieving the revenue forecast.

While evidence indicates that both Indiana and the national economies are expanding at a moderate pace, much uncertainty continues, including continued underutilization of the labor market, and global headwinds.

The university is committed to curtailing expenditures and increasing productivity to drive institutional efficiency. At the same time, the university continues to be acknowledged for delivering excellent educational quality with a focus on student affordability, and the demand for an Indiana University education remains strong. Overall, the financial position of the university is favorable and management will continue to monitor state, national, and global economic conditions as part of its critical financial decision-making process.



Statement of Net Position

<i>(in thousands of dollars)</i>	<i>June 30, 2014</i>	<i>June 30, 2013</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 313,954	\$ 335,269
Accounts receivable, net	131,915	132,489
Current portion of notes and pledges receivable	15,215	14,416
Inventories	10,917	11,078
Short-term investments	58,720	107,063
Other assets	47,310	34,745
Total current assets	578,031	635,060
Noncurrent assets		
Accounts receivable	–	10,634
Notes and pledges receivable	58,126	57,508
Investments	1,659,726	1,491,524
Capital assets, net	2,729,895	2,695,502
Total noncurrent assets	4,447,747	4,255,168
Total assets	5,025,778	4,890,228
Deferred outflows of resources on refunding of debt	13,964	16,850
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	218,611	210,378
Unearned revenue	108,051	145,074
Current portion of capital lease obligations	783	1,249
Current portion of long-term debt	64,451	61,145
Total current liabilities	391,896	417,846
Noncurrent liabilities		
Capital lease obligations	930	1,103
Notes payable	79,560	61,315
Assets held in custody for others	77,710	76,677
Unearned revenue	39,069	36,955
Bonds payable	801,795	861,271
Other long-term liabilities	57,594	61,913
Total noncurrent liabilities	1,056,658	1,099,234
Total liabilities	1,448,554	1,517,080
NET POSITION		
Net investment in capital assets	1,830,756	1,779,033
Restricted for:		
Nonexpendable - endowments	45,268	27,998
Expendable		
Scholarships, research, instruction and other	150,792	136,955
Loans	19,604	19,830
Capital projects	26,051	8,249
Debt service	20,164	20,247
Unrestricted	1,498,553	1,397,686
Total net position	\$ 3,591,188	\$ 3,389,998

See accompanying notes to the financial statements.

INDIANA UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2014 AND 2013

(In thousands of dollars)

	2014	2013
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 102,714	\$ 87,276
CASH COLLATERAL UNDER SECURITIES LENDING AGREEMENT	98,766	66,935
RECEIVABLES AND OTHER ASSETS	36,973	52,681
PROMISES TO GIVE - NET	159,539	142,368
INVESTMENTS	2,147,618	1,875,083
PROPERTY, PLANT, AND EQUIPMENT - NET	<u>50,894</u>	<u>53,223</u>
TOTAL ASSETS	<u>\$ 2,596,504</u>	<u>\$ 2,277,566</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other	\$ 25,725	\$ 39,566
Payable under securities lending agreement	98,766	66,935
Debt	2,990	3,844
Accrued trust obligation to life beneficiaries	36,441	36,186
Assets held for the University	243,118	205,621
Assets held for University affiliates	<u>24,290</u>	<u>22,128</u>
Total liabilities	<u>431,330</u>	<u>374,280</u>
NET ASSETS:		
Unrestricted net assets	51,363	40,750
Temporarily restricted net assets	841,110	762,899
Permanently restricted net assets	<u>1,272,701</u>	<u>1,099,637</u>
Total net assets	<u>2,165,174</u>	<u>1,903,286</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,596,504</u>	<u>\$ 2,277,566</u>

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



Statement of Revenues, Expenses, and Changes in Net Position

<i>(in thousands of dollars)</i>	<i>Fiscal Year Ended</i>	
	<i>June 30, 2014</i>	<i>June 30, 2013</i>
OPERATING REVENUES		
Student fees	\$ 1,303,046	\$ 1,255,936
Less scholarship allowance	(223,516)	(211,509)
Federal grants and contracts	290,301	306,524
State and local grants and contracts	19,962	20,502
Nongovernmental grants and contracts	146,211	139,802
Sales and services of educational units	65,374	61,724
Other revenue	222,871	220,912
Auxiliary enterprises (net of scholarship allowance of \$27,612 in 2014 and \$24,391 in 2013)	370,992	352,845
Total operating revenues	2,195,241	2,146,736
OPERATING EXPENSES		
Compensation and benefits	1,850,432	1,781,973
Student financial aid	152,532	159,240
Energy and utilities	77,361	70,504
Travel	48,840	47,245
Supplies and general expense	564,623	521,813
Depreciation and amortization expense	145,158	140,766
Total operating expenses	2,838,946	2,721,541
Total operating loss	(643,705)	(574,805)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	519,417	509,598
Grants, contracts, and other	112,795	115,250
Investment income	95,560	47,668
Gifts	108,305	100,259
Interest expense	(36,547)	(30,730)
Net nonoperating revenues	799,530	742,045
Income before other revenues, expenses, gains, or losses	155,825	167,240
Capital appropriations	25,876	-
Capital gifts and grants	19,102	21,062
Additions to permanent endowments	387	1,022
Total other revenues	45,365	22,084
Increase in net position	201,190	189,324
Net position, beginning of year	3,389,998	3,200,674
Net position, end of year	\$ 3,591,188	\$ 3,389,998

See accompanying notes to the financial statements.

INDIANA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 (In thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions — net	\$ 1,326	\$ 100,418	\$ 44,313	\$ 146,057
Investment income — net	13,281	123,736	122,243	259,260
Management/administrative fees	16,420	(13,669)	(39)	2,712
Grants	-	5,400	-	5,400
Other income	9,940	4,893	660	15,493
Development service fees from the University	4,923	-	-	4,923
Net assets released from restriction	<u>138,827</u>	<u>(139,607)</u>	<u>780</u>	<u>-</u>
Total revenue and support	<u>184,717</u>	<u>81,171</u>	<u>167,957</u>	<u>433,845</u>
EXPENDITURES:				
Program expenditures	144,998	-	-	144,998
Management and general	11,683	3,994	(218)	15,459
Fundraising	17,741	-	-	17,741
Change in value of split interest agreement obligation	<u>(318)</u>	<u>(1,034)</u>	<u>(4,889)</u>	<u>(6,241)</u>
Total expenditures	<u>174,104</u>	<u>2,960</u>	<u>(5,107)</u>	<u>171,957</u>
Total change in net assets	<u>10,613</u>	<u>78,211</u>	<u>173,064</u>	<u>261,888</u>
BEGINNING NET ASSETS	<u>40,750</u>	<u>762,899</u>	<u>1,099,637</u>	<u>1,903,286</u>
ENDING NET ASSETS	<u>\$ 51,363</u>	<u>\$ 841,110</u>	<u>\$ 1,272,701</u>	<u>\$ 2,165,174</u>

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

Statement of Cash Flows

<i>(in thousands of dollars)</i>	<i>Fiscal Year Ended</i>	
	<i>June 30, 2014</i>	<i>June 30, 2013</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	\$ 1,074,775	\$ 1,043,398
Grants and contracts	425,305	400,472
Sales and services of educational activities	65,225	61,251
Auxiliary enterprise charges	369,968	350,830
Other operating receipts	229,652	221,969
Payments to employees	(1,845,793)	(1,760,333)
Payments to suppliers	(694,943)	(639,401)
Student financial aid	(156,749)	(156,893)
Student loans collected	10,111	11,064
Student loans issued	(10,462)	(9,081)
Net cash used in operating activities	(532,911)	(476,724)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	519,417	509,598
Nonoperating grants and contracts	112,795	115,250
Gifts and grants received for other than capital purposes	109,866	100,387
Direct lending receipts	556,085	600,943
Direct lending payments	(556,190)	(602,406)
Net cash provided by noncapital financing activities	741,973	723,772
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	25,876	–
Capital grants and gifts received	16,558	16,885
Purchase of capital assets	(172,532)	(303,479)
Proceeds from issuance of capital debt, including refunding activity	20,375	40,820
Principal payments on capital debt	(55,430)	(50,096)
Principal paid on capital leases	(1,390)	(1,660)
Interest paid on capital debt and leases	(39,639)	(38,991)
Net cash used in capital and related financing activities	(206,182)	(336,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,851,564	2,808,571
Investment income	44,129	45,242
Purchase of investments	(2,919,888)	(3,074,218)
Net cash used in investing activities	(24,195)	(220,405)
Net decrease in cash and cash equivalents	(21,315)	(309,878)
Cash and cash equivalents, beginning of year	335,269	645,147
Cash and cash equivalents, end of year	\$ 313,954	\$ 335,269

See accompanying notes to the financial statements.

Statement of Cash Flows

(continued from previous page)

(in thousands of dollars)	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (643,705)	\$ (574,805)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	145,158	140,766
Loss on disposal of capital assets	6,903	6,513
Changes in assets and liabilities:		
Accounts receivable	725	(14,272)
Inventories	162	311
Other assets	(12,565)	(4,633)
Notes receivable	(1,416)	1,458
Accounts payable and accrued liabilities	9,258	(18,544)
Unearned revenue	(34,910)	(23,320)
Assets held in custody for others	1,033	294
Other noncurrent liabilities	(3,554)	9,508
Net cash used in operating activities	\$ (532,911)	\$ (476,724)

See accompanying notes to the financial statements.



Indiana University Notes to the Financial Statements

June 30, 2014 and June 30, 2013

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, 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 No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 \$140,665,000 and \$105,726,000 to the university during fiscal years 2014 and 2013, respectively. Complete financial statements for the IU Foundation can be obtained from: Indiana University Foundation, Attn: Controller, PO Box 500, Bloomington, IN 47402.

BLENDED COMPONENT UNIT

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid investments with 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

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. Accumulated deferred charges on refundings of capital debt represent deferred outflows.

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.

NET POSITION

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

- *Net investment in capital assets:* This component of net position includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- *Restricted — nonexpendable:* Assets included in the nonexpendable restricted net position category are subject to externally imposed stipulations that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal. Such assets include permanent endowment funds.

- *Restricted—expendable*: Resources classified as restricted and expendable are those for which the university is legally obligated to spend in accordance with externally imposed stipulations, or those stipulations that expire with the passage of time.
- *Unrestricted*: Unrestricted resources are not subject to externally imposed restrictions and are primarily used for meeting expenses for academic and general operations of the university.

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

REVENUES

University revenues are classified as either operating or nonoperating as follows:

- *Operating revenues*: Operating revenues result from exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), government and other grants and contracts, and sales and services of auxiliary enterprises (net of scholarship discounts and allowances).
- *Nonoperating revenues*: Nonoperating revenues include those derived from nonexchange transactions such as gifts and certain federal and state grants. Nonoperating revenues include significant revenue sources that are relied upon for operations, such as state appropriations, federal Pell grants, and investment income.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

NEW ACCOUNTING PRONOUNCEMENTS

Change in accounting policy: Effective with the fiscal year ended June 30, 2014, the university adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard provides guidance on the financial statement classification of certain items previously reported as assets and liabilities. In accordance with the standard, the university has reclassified deferred charges on refundings of capital debt as deferred outflows of resources (previously classified as liabilities) for fiscal years ended June 30, 2013, and June 30, 2014. The presentation of

the Statement of Net Position has been modified accordingly for both years presented.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year statements and certain notes to conform to new reporting standards as described above, and do not constitute a restatement of prior periods.

Note 2—Deposits and Investments

DEPOSITS

The combined bank balances of the university's demand deposits were \$71,868,000 and \$67,819,000 at June 30, 2014 and 2013, respectively. The university had balances in excess of Federal Deposit Insurance Corporation limits in the amount of \$71,617,000 and \$67,547,000 at June 30, 2014 and 2013, respectively. The balance in excess of FDIC limits is subject to custodial credit risk. 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.

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, 2014 and 2013, the university had investments and deposits, including endowment funds, as shown below:

(dollar amounts presented in thousands)

	Fair Value	
	June 30, 2014	June 30, 2013
Cash and cash equivalents	\$ 313,954	\$ 335,269
Short term investments	58,720	107,063
Investments	1,659,726	1,491,524
Total	\$ 2,032,400	\$ 1,933,856

INVESTMENT CUSTODIAL RISK

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university manages custodial credit risk through the types of investments that are allowed by investment policy. The university also monitors the credit rating and certain financial performance metrics of its custodial and commercial banks. The university had \$1,961,000 and \$1,519,000 exposed to custodial credit risk at June 30, 2014 and 2013, respectively. The university had \$16,782,000 and \$20,428,000 where custodial credit risk could not be determined at June 30, 2014 and 2013, respectively. The remainder of the university's investments are not exposed to custodial credit risk and reflect either investment securities registered in the name of the university, investment securities loaned for collateral received, or other types of investments not exposed to custodial credit risk.



INTEREST RATE RISK

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

The university had investments with the following maturities at June 30, 2014:

(dollar amounts presented in thousands)

Investment Type	Fair Value June 30, 2014	Investment Maturities (in years)			
		Less than 1	1–5	6–10	More than 10
<i>Investments with maturity date</i>					
Corporate bonds	\$ 509,509	\$ 47,419	\$ 311,002	\$ 102,040	\$ 49,048
Asset-backed securities	369,385	280	125,007	38,319	205,779
Government bonds	324,760	16,954	134,090	130,071	43,645
Government issued asset-backed securities	113,516	1	5,945	14,866	92,704
Other fixed income	44,020	(6,392)	27,982	15,662	6,768
Total investments with maturity date	1,361,190	58,262	604,026	300,958	397,944
<i>Investments with undetermined maturity date</i>					
External investment pools	251,018	251,018	–	–	–
Money market funds	234,676	234,676	–	–	–
Fixed income funds	100,244	100,244	–	–	–
All other	85,272	85,272	–	–	–
Total investments with undetermined maturity date	671,210	671,210	–	–	–
Total	\$ 2,032,400	\$ 729,472	\$ 604,026	\$ 300,958	\$ 397,944

The university had investments with the following maturities at June 30, 2013:

(dollar amounts presented in thousands)

Investment Type	Fair Value June 30, 2013	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
<i>Investments with maturity date</i>					
Corporate bonds	\$ 505,798	\$ 64,020	\$ 273,807	\$ 117,958	\$ 50,013
Asset-backed securities	278,753	1,453	90,299	35,197	151,804
Government bonds	273,502	45,828	61,143	104,925	61,606
Government issued asset-backed securities	185,896	57,904	3,227	13,697	111,068
Other fixed income	85,834	44,988	17,322	13,264	10,260
Total investments with maturity date	1,329,783	214,193	445,798	285,041	384,751
<i>Investments with undetermined maturity date</i>					
Money market funds	350,906	350,906	–	–	–
External investment pools	212,546	212,546	–	–	–
Fixed income funds	99,019	99,019	–	–	–
All other	(58,398)	(58,398)	–	–	–
Total investments with undetermined maturity date	604,073	604,073	–	–	–
Total	\$ 1,933,856	\$ 818,266	\$ 445,798	\$ 285,041	\$ 384,751

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



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, 2014 and 2013, university investments had debt securities with associated credit ratings as shown below:

(dollar amounts presented in thousands)

Credit Quality Rating	Fair Value June 30, 2014	Percentage of Total Pool	Fair Value June 30, 2013	Percentage of Total Pool
AAA	\$ 269,118	13.24%	\$ 296,587	15.34%
AA	460,409	22.65%	522,507	27.02%
A	191,327	9.42%	174,998	9.05%
BBB	265,082	13.04%	219,757	11.36%
BB	91,120	4.48%	99,318	5.14%
Below BB	94,741	4.66%	75,378	3.90%
Not Rated	660,603	32.51%	545,311	28.19%
Total	\$ 2,032,400	100.00%	\$ 1,933,856	100.00%

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

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The university's investment policy requires that investments are to be diversified to the extent that the securities of any single issuer shall be limited to 3.5% of the market value in a particular manager's portfolio. U.S. Government and U.S. governmental agency securities are exempt from this policy requirement.

FOREIGN CURRENCY RISK

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

At June 30, 2014 and 2013, the university had investments exposed to foreign currency risk stated in U.S. dollar equivalents as shown below:

(dollar amounts presented in thousands)

Currency	2014	2013
Mexican peso	\$11,686	\$13,018
Brazilian real	7,350	514
South Korean won	4,322	-
Australian dollar	2,500	(1,064)
All other	(16,918)	(4,169)
Total	\$ 8,940	\$ 8,299

The negative values are a result of investments in foreign currency derivatives which have a negative market value and from large pending foreign exchange sales.

ENDOWMENTS

Endowment funds are managed pursuant to an Investment Agency Agreement between the Trustees of Indiana University (trustees) and the IU Foundation, 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 investments, exclusive of the IU Foundation's investment funds. The spending policy of the trustees is to distribute 4.75% of the twelve quarter rolling average of pooled fund values. This rate will be reduced evenly over the next three years resulting in a 4.5% distribution rate in fiscal year 2016-2017. Funds held by endowments managed by the IU Foundation are used to acquire pooled shares.

Endowment funds have a perpetual investment horizon and, as appropriate, may be invested in asset classes with longer term risk/return characteristics, including, but not limited to stocks, bonds, real estate, private placements, and alternative investments. The Indiana University Endowments (endowments) are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation dated November 14, 2005, which delegated investment management responsibilities to the IU Foundation, subject to the university's management agreement with the IU Foundation. Endowment assets may be invested in pooled funds or in direct investments, or a combination of the two. Assets will typically be diversified among high quality stocks and bonds. Additional asset classes, such as absolute return, private equity, and real asset investments, may be included when it is reasonable to expect these investments will either increase return or reduce risk, or both. Participation in the pooled investments is achieved by owning units of the Pooled Long-Term Fund and considered an external investment pool to the university. At June 30, 2014, 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 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 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 and money market funds and short term bond funds to \$50,000,000 per fund, with the exception of U.S. Treasuries and Agencies, or accounts collateralized by Treasuries or Agencies.



Note 3—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014 and 2013:

(dollar amounts presented in thousands)

	June 30, 2014	June 30, 2013
Student accounts	\$ 43,378	\$ 37,174
Auxiliary enterprises and other operating activities	64,357	74,958
State appropriations	—	—
Federal, state, and other grants and contracts	22,262	16,881
Capital appropriations and gifts	3,652	2,241
Other	8,843	10,103
Current accounts receivable, gross	142,492	141,357
Less allowance for uncollectible accounts	(10,577)	(8,868)
Current accounts receivable, net	\$ 131,915	\$ 132,489
Noncurrent accounts receivable	\$ —	\$ 10,634

Note 4—Capital Assets

Fiscal year ended June 30, 2014

(dollar amounts presented in thousands)

	Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Assets not being depreciated:					
Land	\$ 65,979	\$ 2,362	\$ —	\$ —	\$ 68,341
Art & museum objects	79,636	539	—	—	80,175
Construction in progress	209,355	50,700	(172,878)	71	87,106
Total capital assets not being depreciated	354,970	53,601	(172,878)	71	235,622
Other capital assets:					
Infrastructure	172,758	7,999	4,097	—	184,854
Intangibles	10,334	159	1,098	—	11,591
Land improvements	48,416	5,023	3,757	—	57,196
Equipment	427,188	20,817	3,959	16,417	435,547
Library books	222,143	15,548	—	19,891	217,800
Buildings	3,389,420	83,561	159,967	8,181	3,624,767
Total other capital assets	4,270,259	133,107	172,878	44,489	4,531,755
Less accumulated depreciation for:					
Infrastructure	133,327	3,320	—	—	136,647
Intangibles	2,318	2,051	—	—	4,369
Land improvements	15,577	2,838	—	—	18,415
Equipment	298,934	33,572	—	14,926	317,580
Library books	111,696	21,996	—	19,891	113,801
Buildings	1,367,875	81,381	—	2,586	1,446,670
Total accumulated depreciation, other capital assets	1,929,727	145,158	—	37,403	2,037,482
Capital assets, net	\$ 2,695,502	\$ 41,550	\$ —	\$ 7,157	\$ 2,729,895

Fiscal year ended June 30, 2013

(dollar amounts presented in thousands)

	<i>Balance</i> June 30, 2012	<i>Additions</i>	<i>Transfers</i>	<i>Retirements</i>	<i>Balance</i> June 30, 2013
Assets not being depreciated:					
Land	\$ 57,085	\$ 8,894	\$ -	\$ -	\$ 65,979
Art & museum objects	79,342	313	-	19	79,636
Construction in progress	146,311	148,105	(85,072)	(11)	209,355
Total capital assets not being depreciated	282,738	157,312	(85,072)	8	354,970
Other capital assets:					
Infrastructure	164,285	4,914	3,559	-	172,758
Intangibles	2,690	948	6,696	-	10,334
Land improvements	37,530	8,068	2,818	-	48,416
Equipment	408,724	37,352	4,246	23,134	427,188
Library books	223,935	17,059	-	18,851	222,143
Buildings	3,243,814	82,467	67,753	4,614	3,389,420
Total other capital assets	4,080,978	150,808	85,072	46,599	4,270,259
Less accumulated depreciation for:					
Infrastructure	130,042	3,285	-	-	133,327
Intangibles	1,009	1,309	-	-	2,318
Land improvements	13,238	2,339	-	-	15,577
Equipment	287,912	32,735	-	21,713	298,934
Library books	106,910	23,638	-	18,852	111,696
Buildings	1,291,243	77,460	-	828	1,367,875
Total accumulated depreciation, other capital assets	1,830,354	140,766	-	41,393	1,929,727
Capital assets, net	\$ 2,533,362	\$ 167,354	\$ -	\$ 5,214	\$ 2,695,502

Note 5—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2014 and 2013:

(dollar amounts presented in thousands)

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
Accrued payroll	\$ 24,984	\$ 21,876
Accrual for compensated absences	47,705	41,536
Interest payable	11,913	12,937
Vendor and other payables	134,009	134,029
Total accounts payable and accrued liabilities	\$ 218,611	\$ 210,378

Note 6—Other Liabilities

Other liability activity for the fiscal years ended June 30, 2014 and 2013 is summarized as follows:

Fiscal year ended June 30, 2014

(dollar amounts presented in thousands)

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current
Bonds, notes, and capital leases payable	\$ 986,083	\$ 47,153	\$ 85,717	\$ 947,519	\$ 65,234
Other liabilities:					
Unearned revenue	182,029	–	34,909	147,120	108,051
Assets held in custody for others	77,201	1,026	–	78,227	517
Compensated absences	67,316	17,131	18,023	66,424	47,705
Other	36,134	5,160	2,419	38,875	–
Total	362,680	23,317	55,351	330,646	156,273
Total other liabilities	\$1,348,763	\$ 70,470	\$ 141,068	\$ 1,278,165	\$ 221,507

Fiscal year ended June 30, 2013

(dollar amounts presented in thousands)

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current
Bonds, notes, and capital leases payable	\$ 993,992	\$ 51,992	\$ 59,901	\$ 986,083	\$ 62,394
Other liabilities:					
Unearned revenue	213,015	–	30,986	182,029	145,074
Assets held in custody for others	76,784	417	–	77,201	524
Compensated absences	64,142	20,986	17,812	67,316	41,537
Other	36,053	3,442	3,361	36,134	–
Total	389,994	24,845	52,159	362,680	187,135
Total other liabilities	\$ 1,383,986	\$ 76,837	\$ 112,060	\$ 1,348,763	\$ 249,529

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

Note 7 — 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, student union buildings, and energy savings projects. At June 30, 2014 and 2013, the university had serial bonds, term bonds, and capital appreciation bonds outstanding with maturities that extend to June 1, 2038. The university has both tax-exempt and taxable bonds outstanding.

The total outstanding bonds and notes payable at June 30, 2014 and 2013, were \$945,806,000 and \$983,731,000, respectively. This indebtedness included principal outstanding at June 30, 2014 and 2013, for bonds issued under Indiana Code (IC) 21-34-6 (Student Fee debt) of \$414,690,000 and \$448,520,000, respectively, and for bonds issued under IC 21-35-3 (Revenue debt) of \$391,820,000 and \$410,895,000, respectively. Total bonds and notes payable at June 30, 2014 and 2013, include an additional accreted value of outstanding Student Fee bonds issued as capital appreciation bonds of \$10,435,000 and \$13,936,000, respectively. The calculation of total bonds and notes payable at June 30, 2014 and 2013, includes the addition of bond premium outstanding of \$56,936,000 and \$60,476,000, respectively. As of June 30, 2014, debt service payments to maturity total \$1,269,602,000,

of which \$460,404,000 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. The State of Indiana has fully funded all fee replacement obligations established by prior General Assemblies since the State began authorizing fee replacement appropriations over 40 years ago. The outstanding principal balances which are eligible for fee replacement appropriations, as of June 30, 2014 and 2013, are \$356,993,000 and \$386,207,000, respectively.

In addition to serial and term bonds, the university has issued capital appreciation bonds (CABs). A CAB is a long-term municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity. At maturity, the investor receives both the initial principal amount and the total investment return. CABs typically are 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, 2014 and 2013, include CAB payments of \$15,925,000 and \$22,305,000, respectively, of which \$900,000 and \$3,525,000 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 certain designated housing facilities, parking facilities, and other auxiliary facilities along with certain research revenues 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. The sole purpose of this entity 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. Lease purchase obligations (LPOs) or Certificates of Participation (COPs), collectively “Obligations”, in lease payments between the university as lessee and IUBC as lessor are included in the outstanding indebtedness table under IC 21-33-3-5 and are classified as notes payable. Under the terms of the most recent applicable indenture, the university intends to issue this type of debt as LPOs and securities issued as COPs under all prior supplemental indentures will be on parity with, and refundable by LPOs. The credit and legal structure of the LPOs is identical to that of the COPs previously issued under prior applicable indentures.

(dollar amounts presented in thousands)

<i>Bonding Authority</i>	<i>Interest Rates</i>	<i>Final Maturity Year Ended</i>	<i>Principal Outstanding At June 30, 2014</i>	<i>Principal Outstanding At June 30, 2013</i>
Indiana Code 21-34-6 (Bonds: Student Fee Bonds)	0.56 to 6.40%	2033	\$ 414,690	\$ 448,520
Indiana Code 21-35-3 (Bonds: Consolidated Revenue Bonds)	2.00 to 5.64%	2038	391,820	410,895
Indiana Code 21-33-3-5 (Notes: Obligations - Lease Purchase Obligations and Certificates of Participation)	2.00 to 5.95%	2037	82,360	63,840
Subtotal bonds and notes payable			888,870	923,255
Add unamortized bond premium			56,936	60,476
Total bonds and notes payable			\$ 945,806	\$ 983,731

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

As of June 30, 2014, the university does 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
2015	\$ 56,304	\$ 2,800	\$ 59,104	\$ 39,377	\$ 3,493	\$ 42,870	\$ 101,974
2016	56,216	3,535	59,751	37,157	3,417	40,574	100,325
2017	58,564	3,640	62,204	34,932	3,307	38,239	100,443
2018	60,261	3,745	64,006	32,529	3,172	35,701	99,707
2019	54,955	3,885	58,840	26,859	3,022	29,881	88,721
2020-2024	232,610	20,540	253,150	101,285	12,554	113,839	366,989
2025-2029	188,025	22,365	210,390	50,833	7,562	58,395	268,785
2030-2034	76,005	17,790	93,795	15,777	2,812	18,589	112,384
2035-2038	23,570	4,060	27,630	2,425	219	2,644	30,274
Total	\$ 806,510	\$ 82,360	\$ 888,870	\$ 341,174	\$ 39,558	\$ 380,732	\$1,269,602

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

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

As of June 30, 2014, the previously defeased bonds held in escrow have the following amounts of principal outstanding:

(dollar amounts presented in thousands)

Defeased Bonds (Refunded)	Principal Outstanding	Call Date
Student Fee Bonds, Series P	\$ 71,215	8/1/2014
Student Fee Bonds, Series Q	20,270	8/1/2016
Student Fee Bonds, Series R	15,780	8/1/2016
Facility Revenue Bonds, Series 2004	9,705	11/15/2014
Student Residence System Bonds, Series 2004B	16,400	11/1/2014
Total Defeased Bonds	\$ 133,370	

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 percent of the corresponding interest payable on the related BABs, subsidies that paid after February 28, 2013, were cut initially by 8.7% and then 7.2% due to the federal sequestration. Total federal interest subsidies that were originally scheduled to be received over the life of the BABs debt outstanding as of June 30, 2014, were \$29,714,000. However, through June 30, 2014, BABs subsidies for Student Fee Bonds, Series T-2; Consolidated Revenue Bonds, Series 2010B; and Certificates of Participation, Series 2009B were reduced by \$270,000. Subsequent to the financial reporting date, the BABs subsidy for Student Fee Bonds, Series T-2 was reduced by \$35,000. BABs subsidies paid between October 1, 2014, and September 30, 2015, are scheduled to be reduced by 7.3% due to the federal sequestration. For fiscal year ending June 30, 2015, the total expected subsidy reductions due to the sequestration is \$192,000, which is subject to changes enacted by Congress at subsequent dates.

On February 13, 2014, the university issued natural fixed rate Lease Purchase Obligations, Series 2014A with a par amount of \$21,045,000. The proceeds financed the construction of University Hall on the IUPUI campus and costs to issue the bonds, including underwriters' discount. The true interest cost for the Obligations was 3.79%.

Note 8—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 \$3,791,000 and \$6,957,000 as of June 30, 2014 and 2013. Accumulated amortization of leased equipment totaled \$1,699,000 and \$3,913,000 at June 30, 2014 and 2013, 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
2015	\$ 846	\$ 13,968
2016	560	8,664
2017	279	5,648
2018	103	4,045
2019	28	3,615
2020-2024	–	11,839
2025-2029	–	1,018
Total future minimum payments	1,816	\$ 48,797
Less: interest	(103)	
Total principal payments outstanding	\$ 1,713	

Note 9—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 \$396,000 and \$144,000 for health professions and nursing loan programs for fiscal years ended June 30, 2014 and 2013, respectively.

Liabilities at June 30, 2014 and 2013, for loan programs were as follows:

(dollar amounts presented in thousands)

	June 30, 2014	June 30, 2013
Current portion of assets held in custody for others	\$ 517	\$ 524
Noncurrent liabilities:		
Federal share of interest	43,177	41,740
Perkins loans	16,712	17,028
Health professions loans	15,834	15,938
Nursing loans	1,987	1,971
Total noncurrent portion of assets held in custody for others	77,710	76,677
Total assets held in custody for others	\$ 78,227	\$ 77,201

Note 10—Risk Management

The university is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of students, employees, and their dependents. The university manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The university is self-funded for damage to buildings and building contents for the first \$100,000 per occurrence with an additional \$400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The university is self-funded for comprehensive general liability and automobile liability for the first \$100,000 per occurrence with an additional \$900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The university has a malpractice and professional liability policy in the amount of \$250,000 for each claim and \$750,000 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 additional \$1,000,000 coverage through commercial insurances.

The university has four 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 15% of the paid self-funded claims during the fiscal year, and totals \$25,969,000 and \$25,133,000 at June 30, 2014 and 2013, respectively. In addition, a potential claims fluctuation liability of \$9,876,000 has been recorded at June 30, 2014 and 2013.

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 \$2,614,000 at June 30, 2014. Funding for the medical residents plan is provided by direct charge to the School of Medicine and the other plans are funded by direct charges to the associated schools and/or departments.

Note 11—Retirement Plans

The university provided retirement plan coverage to 18,691 and 18,494 active employees, as of June 30, 2014 and 2013, 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) with two distinct contribution provisions. The university contributed \$621,000 during fiscal year ended June 30, 2014,

to TIAA-CREF for the plan. The university contributed \$132,000 during fiscal year ended June 30, 2014, to Fidelity Investments for the plan. Under this plan, 719 employees directed university contributions to TIAA-CREF as of June 30, 2014. In addition, 130 directed university contributions to Fidelity Investments as of June 30, 2014.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109, or by calling 1-800-343-0860.

INDIANA PUBLIC EMPLOYEE'S 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 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 5,238 and 6,267 active university employees covered by this retirement plan as of June 30, 2014 and 2013, respectively. State statutes authorize the university to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. The annuity savings account consists of contributions set by state statute at three percent of compensation plus the earnings credited to members' accounts. The university has elected to make the contributions on behalf of the members. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-888-526-1687, or by reviewing the Annual Report online at www.in.gov/inprs/annualreports.htm.

Contributions made by the university totaled \$28,077,000 and \$25,785,000 for fiscal years ended June 30, 2014 and 2013, respectively. This represented a 11.2% and 9.7% university pension benefit contribution for fiscal years ended June 30, 2014 and 2013, respectively, and a 3% university contribution for the annuity savings account provisions each year.

PERF FUNDING POLICY AND ANNUAL PENSION COST

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

The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension benefits when they become due. The amortization method and period are level dollar closed over 30 years. The actuarial cost method is entry age normal cost. The employer required contribution is determined using an asset smoothing method. The actuarial valuation date is June 30, 2013.

Actuarial assumptions include: (a) an investment rate of return of 6.75%, (b) projected salary increases of 3.25%-4.5%, and (c) a 1% cost of living increase granted in each future year, applying to current and future retirees.

(dollar amounts presented in thousands)

	Fiscal Year Ended	
	June 30, 2013 ¹	June 30, 2012
Annual required contribution	\$ 19,567	\$ 22,735
Interest on net pension obligation	571	246
Adjustment to annual required contribution	(665)	(284)
Annual pension cost	19,473	22,697
Contributions made	(19,896)	(17,757)
Increase/(decrease) in net pension obligation	(423)	4,940
Net pension obligation, beginning of year	8,462	3,522
Net pension obligation, end of year	\$ 8,039	\$ 8,462

¹Actuarial data for 2014 was not available at the time of this report.

(dollar amounts presented in thousands)

Fiscal Year Ended	Annual Pension Cost (APC) ²	Percentage of APC Net Pension Contributed	Net Pension Obligation
June 30, 2011	\$ 21,893	68%	\$ 3,522
June 30, 2012	22,697	78%	8,462
June 30, 2013	19,473	102%	8,039

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

ACADEMIC AND PROFESSIONAL STAFF EMPLOYEES

Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. The university contributed \$60,129,000 during fiscal year ended June 30, 2014, and \$61,118,000 during fiscal year ended June 30, 2013, to TIAA-CREF for the IU Retirement Plan. The university contributed \$31,042,000 during fiscal year ended June 30, 2014, and \$28,669,000 during fiscal year ended June 30, 2013, to Fidelity Investments for the IU Retirement Plan. Under this plan, 7,569 and 7,743 employees directed university contributions to TIAA-CREF as of June 30, 2014 and 2013, respectively. In addition, 5,791 and 5,185 employees directed university contributions to Fidelity Investments as of June 30, 2014 and 2013, 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 1,011 and 1,057 active employees on June 30, 2014 and 2013, 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 \$2,045,000 and \$2,553,000 to IUSERP during fiscal years ended June 30, 2014 and 2013, 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, 2014, the university made total payments of \$31,039,000 to 348 individuals receiving IU 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2013, the university made total payments of \$32,027,000 to 361 individuals receiving IU 18/20 Retirement Plan payments.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109, or by calling 1-800-343-0860.

IU REPLACEMENT RETIREMENT PLAN FUNDING POLICY AND ANNUAL PENSION COST

The university has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the Trustees of Indiana University. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2014 and 2013, 87 and 95 employees, respectively, were eligible to participate. University contributions related to this plan

totaled \$1,130,000 and \$1,611,000, for fiscal years ended June 30, 2014 and 2013, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution.

The following schedule shows the funding policy contributions for the fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation report prepared as of July 1, 2013, for the fiscal year ended June 30, 2014, prepared as of July 1, 2012, for the fiscal year ended June 30, 2013, and prepared as of July 1, 2011, for the fiscal year ended June 30, 2012:

(dollar amounts presented in thousands)

	Fiscal Year Ended		
	June 30, 2014	June 30, 2013	June 30, 2012
Cost of benefits earned during the year	\$ 691	\$ 796	\$ 811
Amortization of unfunded actuarial accrued liabilities	370	716	664
Interest	69	98	96
Funding policy contribution	\$ 1,130	\$ 1,610	\$ 1,571

The funded status of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2014, 2013, and 2012, are as follows:

(dollar amounts presented in thousands)

Actuarial Valuation Date	July 1, 2013	July 1, 2012	July 1, 2011
Actuarial accrued liability (AAL)	\$ 21,438	\$ 23,818	\$ 23,034
Less actuarial valuation of plan assets	(16,896)	(14,838)	(14,558)
Unfunded actuarial liability	4,542	8,980	8,476
Actuarial value of assets as a percentage of AAL (funded ratio)	78.8%	62.3%	63.2%
Annual covered payroll	\$ 8,411	\$ 8,445	\$ 8,679
Ratio of unfunded actuarial liability to annual covered payroll	54.0%	106.3%	97.7%

Actuarial assumptions include a 6.5% asset rate of return and future salary increases of 3% for the fiscal years ended June 30, 2014 and 2013. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair market value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

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

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Note 12 – 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*. 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 years 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 \$2,503,000 and \$2,018,000 in premiums during the fiscal years ended June 30, 2014 and 2013, respectively. The university contributed \$51,780,000 and \$51,608,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2014 and 2013, respectively.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The university's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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, 2014 and 2013, respectively:

(dollar amounts presented in thousands)

	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
Annual OPEB cost	\$ 55,623	\$ 54,714
Less employer contributions	(51,780)	(51,608)
Increase in OPEB obligation	3,843	3,106
Net OPEB obligation, beginning of year	25,864	22,758
Net OPEB obligation, end of year	\$ 29,707	\$ 25,864
Percentage of annual OPEB cost contributed	93.09%	94.32%

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, 2013	-	\$ 364,137	\$ 364,137	0.0%	\$ 1,042,446	34.9%
July 1, 2012	-	390,227	390,227	0.0%	1,013,726	38.5%

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.

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 June 30, 2014, actuarial valuation. 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, 2014; and an annual healthcare cost trend rate that ranges from 9.0% in fiscal year 2015 to 5.0% in fiscal year 2023. 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.

Note 13—Termination Benefits

In fiscal year 2014, the university offered an Early Retirement Incentive Plan (ERIP).

The ERIP provided three benefits not normally provided to separating employees:

1. A lump sum income replacement payment
2. Five years of annual contributions to a health reimbursement account (HRA) account that reimburses employees, based on their current medical plan enrollment, for some healthcare expenses, such as premiums, deductibles, and copays
3. The option to continue in an IU-sponsored medical plan until age 65. Employees with IU Retiree Status could opt to participate in a post-65 Medicare supplement medical plan. The opting employees would need to pay their respective full premium amounts to receive this benefit.

Depending on the eligibility criteria of the participating employees, the early retirement became effective from one of two dates, as shown in the table below:

Retirement Date	Number of ERIP participants
December 31, 2013	108
May 31, 2014	212
Total	320

In fiscal year 2014, the university recognized the expense for the income replacement payments for all employees participating in the ERIP. The actuarial accrued liability associated with other post-employment benefits was increased by \$6,134,000 for health reimbursement account contributions.

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 \$349,556,000 and \$313,697,000 at June 30, 2014 and 2013, 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, 2014

(dollar amounts presented in thousands)

Functional Classification	Natural Classification						Total
	Compensation & Benefits	Utilities	Supplies & Expenses	Scholarships & Fellowships	Depreciation	Travel	
Instruction	\$ 886,362	\$ 905	\$ 123,391	\$ 13,443	\$ —	\$ 18,581	\$ 1,042,682
Research	148,309	51	79,577	2,686	—	5,799	236,422
Public service	76,680	327	53,166	2,515	—	4,050	136,738
Academic support	290,806	50	82,879	3,079	—	8,222	385,036
Student services	69,026	13	29,282	1,723	—	2,262	102,306
Institutional support	92,446	70	32,401	50	—	1,436	126,403
Physical plant	93,482	72,204	62,864	4	—	320	228,874
Scholarships & fellowships	11,688	—	1,331	123,277	—	112	136,408
Auxiliary enterprises	181,633	3,741	99,732	5,755	—	8,058	298,919
Depreciation	—	—	—	—	145,158	—	145,158
Total operating expenses	\$ 1,850,432	\$ 77,361	\$ 564,623	\$ 152,532	\$ 145,158	\$ 48,840	\$ 2,838,946

Fiscal year ended June 30, 2013
 (dollar amounts presented in thousands)

Functional Classification	Natural Classification						Total
	Compensation & Benefits	Utilities	Supplies & Expenses	Scholarships & Fellowships	Depreciation	Travel	
Instruction	\$ 864,284	\$ 979	\$ 110,606	\$ 13,864	\$ -	\$ 17,923	\$ 1,007,656
Research	153,421	54	84,653	3,301	-	6,448	247,877
Public service	84,241	324	57,131	3,032	-	4,078	148,806
Academic support	256,391	42	59,769	4,380	-	6,889	327,471
Student services	73,116	10	24,342	1,189	-	2,050	100,707
Institutional support	81,339	626	36,364	1,006	-	1,985	121,320
Physical plant	79,566	64,697	66,018	4	-	166	210,451
Scholarships & fellowships	11,288	-	1,318	126,259	-	164	139,029
Auxiliary enterprises	178,327	3,772	81,612	6,205	-	7,542	277,458
Depreciation	-	-	-	-	140,766	-	140,766
Total operating expenses	\$ 1,781,973	\$ 70,504	\$ 521,813	\$ 159,240	\$ 140,766	\$ 47,245	\$ 2,721,541



Note 16—Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more bonds are outstanding, with a revenue stream pledged in support of the debt. The primary source of repayment of these bonds is pledged net income from certain parking and housing operations, including campuses for which bonds are no longer outstanding. Facilities Revenue Bonds carry a pledge of net income from the Parking System. Student Residence System Bonds carry a pledge of net income from the Student Residence System. The university has Facilities Revenue Bonds and Student Residence System Bonds

outstanding related to the following auxiliary enterprise activities:

- Parking operations on the IUPUI and South Bend campuses providing parking services to students, staff, faculty, and the general public.
- Housing operations on the IUPUI campus providing housing primarily to students.

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

(dollar amounts presented in thousands)

Condensed Statement of Net Position	Parking Operations		Housing Operations	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Assets				
Current assets	\$ 32,086	\$ 29,558	\$ 100,352	\$ 92,695
Capital assets, net	87,469	90,816	206,368	221,499
Total assets	119,555	120,374	306,720	314,194
Deferred outflows of resources	679	773	1,777	2,013
Liabilities				
Current liabilities	6,890	6,990	7,302	7,904
Noncurrent liabilities	48,205	53,722	102,866	108,278
Total liabilities	55,095	60,712	110,168	116,182
Net position				
Net investment in capital assets	34,754	32,841	100,337	110,544
Unrestricted	30,385	27,594	97,992	89,481
Total net position	\$ 65,139	\$ 60,435	\$ 198,329	\$ 200,025

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



(dollar amounts presented in thousands)

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Parking Operations		Housing Operations	
	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Operating revenues	\$ 25,451	\$ 25,326	\$ 74,477	\$ 73,702
Depreciation expense	(4,042)	(3,985)	(6,340)	(6,151)
Other operating expenses	(13,481)	(12,734)	(48,354)	(46,446)
Net operating income	7,928	8,607	19,783	21,105
Nonoperating revenues (expenses)				
Grants, contracts, and other revenues	176	182	1,086	1,119
Interest expense	(2,165)	(2,429)	(5,044)	(5,457)
Net nonoperating revenues (expenses)	(1,989)	(2,247)	(3,958)	(4,338)
Other revenues				
Capital gifts and grants	–	250	–	–
Net other revenues	–	250	–	–
Net transfers	(1,235)	(544)	(17,521)	6,396
Increase (decrease) in net position	4,704	6,066	(1,696)	23,163
Net position				
Net position, beginning of year	60,435	54,369	200,025	176,862
Net position, end of year	\$ 65,139	\$ 60,435	\$ 198,329	\$ 200,025

(dollar amounts presented in thousands)

Condensed Statement of Cash Flows	Parking Operations		Housing Operations	
	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Operating activities	\$ 12,818	\$ 11,905	\$ 26,240	\$ 25,342
Noncapital financing activities	177	182	1,086	1,119
Capital and related financing activities	(10,187)	(10,009)	(19,559)	(16,081)
Net increase in cash	2,808	2,078	7,767	10,380
Beginning cash and cash equivalent balances	28,149	26,071	91,176	80,796
Ending cash and cash equivalent balances	\$ 30,957	\$ 28,149	\$ 98,943	\$ 91,176

Total revenue-backed debt for capital financing of parking and housing auxiliary activities was outstanding in the amount of \$3,440,000 at June 30, 2014, with remaining terms of 5 months. Total revenue-backed debt for capital financing of parking and housing auxiliary activities was outstanding in the amount of \$7,180,000 at June 30, 2013, with remaining terms of 1 year. Revenues of the activities are sufficient to meet the principal and interest requirements for the debt.

Note 17—Commitments and Loss Contingencies

The university had outstanding commitments for capital construction projects of \$137,775,000 and \$58,580,000 at June 30, 2014 and 2013, respectively.

Based on information available at the financial report date, it is reasonably possible that the university will be obligated to repay funds received under a sponsored award under which the university served as the “prime recipient.” The amount of the repayment obligation is not known as of the financial report date. The current version of the sponsored award audit report, described by the audit firm as “final draft,” indicates that the university will have an obligation of up to \$31,000,000 in connection with questioned costs of subgrantees in an external audit. Final determination of the questioned costs, and therefore, the university’s repayment obligation is not known as of the financial report date. The final amount may be reduced during audit resolution process which occurs once the sponsored award audit report is final. As of the financial report date, it is also not known to what extent IU’s repayment will be reimbursed in whole or part by the subgrantees that incurred the questioned costs.

Note 18—Subsequent Event

On August 22, 2014, Indiana University Research and Technology Corporation and Indiana University Health announced the closure of the Indiana University Health Proton Therapy Center. At the same time, the university announced the closure of the IU Cyclotron. Both facilities will cease operations on December 5, 2014. The Cyclotron has approximately \$15,500,000 of assets being used for operations. The university will participate in providing severance payments to eligible staff at both facilities. At the time of closure, the university anticipates additional costs will be incurred to decommission the facility. The university is currently assessing the impact of this closure.



Note 19

INDIANA UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

IN THOUSANDS OF DOLLARS

1. ORGANIZATION AND OPERATIONS

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 property and to make expenditures to or for the benefit of Indiana University, including its regional campuses and associated entities (such as the Purdue University schools housed at the Indiana University-Purdue University Indianapolis campus, the Indiana University Building Corporation, 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.

4. INVESTMENTS

A summary of total investment income for the years ended June 30, 2014 and 2013 is as follows (dollar amounts presented in thousands):

	2014	2013
Dividend, interest and other investment income	\$ 8,772	\$ 9,767
Net realized and unrealized gains (losses) on investments	255,266	155,663
Outside investment management fees	<u>(4,778)</u>	<u>(5,520)</u>
Total investment income, including net gains (losses) — net of outside investment management fees	<u>\$ 259,260</u>	<u>\$ 159,910</u>

Note 19**INDIANA UNIVERSITY FOUNDATION****NOTES TO FINANCIAL STATEMENTS****AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013****IN THOUSANDS OF DOLLARS**

The Foundation's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. The following tables present information about the Foundation's investments by security type measured at fair value as of June 30, 2014 and 2013 (dollar amounts presented in thousands):

	2014			
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 352,023	\$ 135,812	\$ 483	\$ 488,318
International equities	281,654	52,891	-	334,545
Domestic fixed income	67,312	218,465	2,113	287,890
International fixed income	-	39,407	-	39,407
Cash equivalents	33,122	-	-	33,122
Alternative investments:				
Hedged equity funds	-	-	120,316	120,316
Absolute return funds	-	-	277,944	277,944
Venture capital funds	-	-	122,883	122,883
Buyout funds	-	-	131,693	131,693
Distressed/special situation funds	-	-	42,562	42,562
Real estate funds	-	-	95,181	95,181
Alternative fixed income	-	-	15,704	15,704
Natural resource funds	-	-	99,465	99,465
Public inflation hedge	-	40,027	-	40,027
Direct commercial real estate	-	-	17,878	17,878
Mortgage securities	-	-	683	683
Total	<u>\$ 734,111</u>	<u>\$ 486,602</u>	<u>\$ 926,905</u>	<u>\$ 2,147,618</u>

	2013			
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 313,477	\$ 68,537	\$ 552	\$ 382,566
International equities	294,412	-	-	294,412
Domestic fixed income	95,603	146,761	2,768	245,132
International fixed income	-	58,037	-	58,037
Cash equivalents	21,825	-	-	21,825
Alternative investments:				
Hedged equity funds	-	-	114,709	114,709
Absolute return funds	-	-	254,715	254,715
Venture capital funds	-	-	100,497	100,497
Buyout funds	-	-	129,125	129,125
Distressed/special situation funds	-	-	58,626	58,626
Real estate funds	-	-	95,126	95,126
Natural resource funds	-	-	79,755	79,755
Public inflation hedge	-	19,739	-	19,739
Direct commercial real estate	-	-	20,129	20,129
Mortgage securities	-	-	690	690
Total	<u>\$ 725,317</u>	<u>\$ 293,074</u>	<u>\$ 856,692</u>	<u>\$ 1,875,083</u>

There were no significant transfers between Levels 1 and 2 for the years ended June 30, 2014 and 2013. Transfers into Level 3 for the year ended June 30, 2013 of \$187,852, were the result of a change in categorization from Level 2 to Level 3 for those funds valued using NAV

Note 19

INDIANA UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

IN THOUSANDS OF DOLLARS

per share (or its equivalent) based on redemption liquidity restrictions. Changes in Level 3 assets measured at fair value as of and for the years ended June 30, 2014 and 2013 follow (dollar amounts presented in thousands):

	2014	2013
Beginning balance	\$ 856,692	\$ 557,230
Realized and unrealized gains	117,519	90,312
Purchases	82,479	126,894
Sales	(129,785)	(105,596)
Transfers in	<u>-</u>	<u>187,852</u>
Ending balance	<u>\$ 926,905</u>	<u>\$ 856,692</u>

Included in the Statements of Financial Position and Statement of Activities is the fair value of derivative instruments and the related net gain (loss) as of and for the years ended June 30, 2014 and 2013. The gross and net credit risk associated with the related counterparties on these open derivative positions is insignificant. The market risk is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest.

The following tables present the Foundation's derivatives instrument, net gain (loss), and net asset classifications as of and for the years ended June 30, 2014 and 2013 (dollar amounts presented in thousands):

Derivative Instruments as of and for the year ended June 30, 2014:

Description	Assets	Balance Sheet Location	Liabilities	Balance Sheet Location	Net Fair Market Value	Net Gain (Loss) ^(a)
Currency Instruments:						
Foreign Exchange Contracts	\$ 11,183	Accounts receivable and other assets	\$ 11,185	Accounts payable and other	\$ (2)	\$ (380)
Fixed Income Instruments:						
Swap contracts	789	Accounts receivable and other assets	151	Accounts payable and other	638	568
Futures contracts	358	Investments	337	Investments	21	9,033
Forward contracts	<u>5,077</u>	Accounts receivable and other assets	<u>5,069</u>	Accounts payable and other	<u>8</u>	<u>281</u>
Total	<u>\$ 17,407</u>		<u>\$ 16,742</u>		<u>\$ 665</u>	<u>\$ 9,502</u>

Offsetting of Derivative Assets as of June 30, 2014:

Description	Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount Presented in the Statement of Financial Position
Futures	<u>\$ 358</u>	<u>\$ 337</u>	<u>\$ 21</u>
	<u>\$ 358</u>	<u>\$ 337</u>	<u>\$ 21</u>

Note 19**INDIANA UNIVERSITY FOUNDATION****NOTES TO FINANCIAL STATEMENTS****AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013****IN THOUSANDS OF DOLLARS**

Derivative Instruments as of and for the year ended June 30, 2013:

Description	Assets	Balance Sheet Location	Liabilities	Balance Sheet Location	Net Fair Market Value	Net Gain (Loss) ^(a)
Currency Instruments:						
Futures contracts	\$ 337	Investments	\$ -	Investments	\$ 337	\$ 523
Forward contracts	<u>13,032</u>	Accounts receivable and other assets	<u>13,213</u>	Accounts payable and other	<u>(181)</u>	<u>500</u>
Total	<u>\$13,369</u>		<u>\$ 13,213</u>		<u>\$ 156</u>	<u>\$ 1,023</u>

Offsetting of Derivative Assets as of June 30, 2013:

Description	Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount Presented in the Statement of Financial Position
Futures	\$ 337	\$ (337)	\$ -
	<u>\$ 337</u>	<u>\$ (337)</u>	<u>\$ -</u>

(a) Net gain (loss) on all derivative financial instruments is reported in investment income on the Statement of Activities.

Note 19

INDIANA UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

IN THOUSANDS OF DOLLARS

The Foundation's alternative investments include investments in: (1) private equity such as venture capital and leveraged buyout funds; (2) absolute return/hedged equity strategies; and (3) inflation hedge strategies, including real estate and natural resources. These investments are valued at NAV per share or its equivalent. The Foundation's asset allocation policy allocates up to 51% in these types of investments. A summary of the alternative investments categorized by major security type, with a description of the investment managers' strategies, and the nature of any restrictions to redeem the investment value as of June 30, 2014 and 2013 follows (dollar amounts presented in thousands):

	2014		2013	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments	Fair Value		
Hedged equity funds ^(a)	\$120,316	\$ -	\$114,708	monthly, quarterly, semi-annually, annually	30-90 days
Absolute return funds ^(b)	277,944	2,559	254,715	monthly, quarterly, semi-annually, annually	33-95 days
Venture capital funds ^(c)	122,883	56,439	100,497		
Buyout funds ^(d)	131,693	67,400	129,125		
Distressed/special situation funds ^(e)	42,562	26,777	58,626		
Real estate funds ^(f)	95,181	34,547	95,126		
Alternative fixed income ^(g)	15,704	14,883	-		
Natural resources funds ^(h)	99,465	51,143	79,755		
Public inflation hedge ⁽ⁱ⁾	<u>40,027</u>	<u>-</u>	<u>19,739</u>	monthly	10 days
Total	<u>\$945,775</u>	<u>\$253,748</u>	<u>\$852,291</u>		

- (a) 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. The fair values of the investments in this category are based on the net asset value per share of the investment.
- (b) 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. The fair values of the investments in this category are based on the net asset value per share of the investment. As of June 30, 2014, 58% of the total Marketable Alternative Investments (hedged equity and absolute return) could be redeemed in 0-6 months, an additional 20% could be redeemed between 7-12 months, another 13% could be redeemed between 13-24 months, and 5% could be redeemed between 25-36 months. The remaining 4% is designated as illiquid investments.
- (c) This category includes funds which invest 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. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2014.
- (d) This category includes private equity funds that invest across sectors primarily in the United States, but also Asia and Europe. The nature of investments in this category is that money is distributed as

Note 19

INDIANA UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

IN THOUSANDS OF DOLLARS

underlying companies are recapitalized or exited via acquisition or IPO. The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2014.

- (e) This category includes funds that are focused on distressed or secondary investments. The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2014.
- (f) This category includes funds that invest 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. Publicly traded REIT funds have daily liquidity. The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2014.
- (g) This category includes funds 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. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2014.
- (h) This category includes funds that are focused on direct 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 will provide an income stream as the underlying commodity is harvested/sold. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2014.
- (i) This category includes funds that invest in equity and equity-related securities, commodity derivatives, fixed income obligations, and derivatives related to equity, fixed income, and commodity securities.

Note 19**INDIANA UNIVERSITY FOUNDATION****NOTES TO FINANCIAL STATEMENTS****AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013****IN THOUSANDS OF DOLLARS**

8. RESTRICTED NET ASSETS

The income generated from restricted net assets is used in accordance with the donors' time or purpose restrictions. Foundation and University permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2014 and 2013 are as follows (dollar amounts presented in thousands):

	2014	
	Temporarily Restricted	Permanently Restricted
Foundation operations	\$ 9,247	\$ 25,512
University programs:		
Awards	7,327	9,542
Capital and capital improvements	116,697	2,515
Fellowships/lectureships	22,744	99,260
General endowments	273,850	283,792
Medical practice plans	40,092	-
Operations	74,692	5,456
Professorships/chairs	124,508	328,107
Research	34,908	59,183
Scholarships	<u>137,045</u>	<u>459,334</u>
Total	<u>\$ 841,110</u>	<u>\$ 1,272,701</u>

	2013	
	Temporarily Restricted	Permanently Restricted
Foundation operations	\$ 7,925	\$ 22,209
University programs:		
Awards	6,742	8,316
Capital and capital improvements	74,316	2,261
Fellowships/lectureships	21,256	84,121
General endowments	259,306	246,326
Medical practice plans	33,026	-
Operations	82,292	4,040
Professorships/chairs	116,176	290,236
Research	31,637	50,253
Scholarships	<u>130,223</u>	<u>391,875</u>
Total	<u>\$ 762,899</u>	<u>\$ 1,099,637</u>

Note 19**INDIANA UNIVERSITY FOUNDATION****NOTES TO FINANCIAL STATEMENTS****AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013****IN THOUSANDS OF DOLLARS****10. PROGRAM EXPENDITURES**

Program expenditures include support for Foundation and University programs. Foundation programs include: real estate, the Student Foundation, air services, women's programs and other miscellaneous programs. These University-related program expenditures primarily support "Grants and aid to the University" and "Endowment and capital additions for the University." For the years ended June 30, 2014 and 2013, a summary of these expenditures follows (dollar amounts presented in thousands):

	2014		
	Unrestricted		
	Foundation	University (a)	Total
Program expenditures:			
Foundation programs:			
Real estate	\$ 1,901	\$ -	\$ 1,901
Student Foundation	531	-	531
Air services	1,266	-	1,266
Women's programs	48	-	48
Miscellaneous	<u>21</u>	<u>-</u>	<u>21</u>
	<u>3,767</u>	<u>-</u>	<u>3,767</u>
Grants and aid to the University — operating support:			
University support	560	30,459	31,019
Student scholarship and financial aid	6	40,444	40,450
Faculty support	-	25,321	25,321
Faculty research	<u>-</u>	<u>13,575</u>	<u>13,575</u>
	<u>566</u>	<u>109,799</u>	<u>110,365</u>
Endowment and capital additions for the University — land, building and equipment purchases	<u>-</u>	<u>30,866</u>	<u>30,866</u>
Total program expenditures	<u>\$4,333</u>	<u>\$ 140,665</u>	<u>\$ 144,998</u>

Note 19**INDIANA UNIVERSITY FOUNDATION****NOTES TO FINANCIAL STATEMENTS****AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013****IN THOUSANDS OF DOLLARS**

	2013		
	Unrestricted		
	Foundation	University (a)	Total
Program expenditures:			
Foundation programs:			
Real estate	\$ 2,877	\$ -	\$ 2,877
Student Foundation	546	-	546
Air services	736	-	736
Women's programs	151	-	151
Miscellaneous	<u>17</u>	<u>-</u>	<u>17</u>
	<u>4,327</u>	<u>-</u>	<u>4,327</u>
Grants and aid to the University — operating support:			
University support	1,771	29,877	31,649
Student scholarship and financial aid	6	36,739	36,745
Faculty support	109	15,023	15,131
Faculty research	<u>-</u>	<u>8,203</u>	<u>8,203</u>
	<u>1,886</u>	<u>89,842</u>	<u>91,728</u>
Endowment and capital additions for the University — land, building and equipment purchases	<u>-</u>	<u>15,884</u>	<u>15,884</u>
Total program expenditures	<u>\$ 6,213</u>	<u>\$ 105,726</u>	<u>\$ 111,939</u>

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

Required Supplementary Information

Schedule of Funding Progress for IU Replacement Retirement Plan:

(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)
7/1/2013	\$ 16,896	\$ 21,438	\$ 4,542	78.8%	\$ 8,411	54.0%
7/1/2012	14,838	23,818	8,980	62.3%	8,445	106.3%
7/1/2011	14,558	23,034	8,476	63.2%	8,679	97.7%

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)
7/1/2013	–	\$ 364,137	\$ 364,137	0.0%	\$ 1,042,446	34.9%
7/1/2012	–	390,227	390,227	0.0%	1,013,726	38.5%
7/1/2011	–	414,985	414,985	0.0%	984,200	42.2%

Schedule of Funding Progress for Public Employees' Retirement Fund:

(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)
6/30/2013	\$ 129,927	\$ 251,660	\$ 121,733	51.6%	\$ 201,139	60.5%
6/30/2012	175,411	370,470	195,059	47.3%	211,519	92.2%
6/30/2011	214,453	379,812	165,359	56.5%	215,496	76.7%

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Bryan Hall 212
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107 S. Indiana Avenue
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Associate Vice President and
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Financial Management Services
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ADMISSIONS

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

GIFTS

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

GRANTS

Vice President for Research
Carmichael Center Suite 202
530 E. Kirkwood Avenue
Bloomington, IN 47408-4003
<http://www.iu.edu/~vpr/contact.shtml>

ATHLETICS

Athletics Media Relations
Assembly Hall
1001 East 17th Street
Indiana University
Bloomington, IN 47408
<http://www.iub.edu/athletic/>

ALUMNI

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







DEFINITIONS

For purposes of this Official Statement, the following terms will have the meaning specified below unless the context clearly indicates otherwise.

“Account” means any of the accounts established pursuant to the Amended Indenture or the Twenty-Second Supplemental Indenture.

“ACH” means the Automated Clearing House Network.

“Act” means Indiana Code 21-34-6 through 21-34-10 and Indiana Code 5-1-5, as amended.

“Additional Bonds” means the additional Parity Bonds or Subordinated Bonds authorized to be issued under the Indenture and any Bonds issued in substitution or replacement therefor and excludes junior lien obligations as described in the Indenture.

“Amended Indenture” means the Original Indenture as previously supplemented and as amended by a First Supplemental and Amending Indenture dated as of May 1, 1986; a Second Supplemental and Amending Indenture dated as of June 1, 1986; a Third Supplemental and Amending Indenture dated as of July 1, 1987; a Fifth Supplemental and Amending Indenture dated as of April 1, 1989; a Seventh Supplemental and Amending Indenture dated as of June 1, 1991; an Eleventh Supplemental and Amending Indenture dated as of April 1, 1998; and a Fourteenth Supplemental Indenture dated as of February 1, 2003.

“Annual Debt Service Requirement” for any Fiscal Year means, in connection with all Parity Bonds, the sum of (i) an amount equal to the amount of scheduled principal or mandatory sinking fund payments and interest due in such Fiscal Year on Fixed Rate Bonds (excluding principal of any balloon maturity and also excluding principal of any Optional Maturity for which a Credit Support Instrument has been provided), (ii) the amount of principal and interest projected to become due in such Fiscal Year on Variable Rate Bonds (excluding principal of any balloon maturity and also excluding principal of any Optional Maturity for which a Credit Support Instrument has been provided) and (iii) an amount equal to the principal amount of a balloon maturity occurring after the Fiscal Year in question divided by the number of years to maturity from its date of original issuance or from such later date in or prior to the Fiscal Year in question as specified in the Supplemental Indenture authorizing the issuance of such balloon maturity. Such projection of interest on Variable Rate Bonds will be calculated at any date of calculation as an amount equal to 110% of the greater of (a) the average daily interest rate during the then preceding 12-month period or (b) the rate in effect on the date of calculation, but in either event not to exceed any maximum interest rate which may be set for such Variable Rate Bonds. Interest which is payable from the proceeds of Bonds set aside for such purpose in the Sinking Fund (*i.e.*, accrued or capitalized interest) will be excluded in determining the Annual Debt Service Requirement. For purposes of this definition, “balloon maturity” means Bonds of any series or multiple series of Bonds issued at substantially the same time with principal amounts maturing or otherwise due and payable within any 12-month period equal to or greater than 15% of the original principal amount of such Bonds; provided that, in calculating the amount due and payable in any 12-month period, such principal amount will be reduced to the extent that all or any portion of such amount is required to be amortized prior to such 12-month period; and provided further that for any balloon maturity the University may elect to waive the provisions of clause (iii) above for any one or more series of Bonds at the time of delivery thereof and treat such one or more series of Bonds as if such balloon maturity was not a balloon maturity for purposes of the application of this definition. The maturing amount of any Bonds issued at a discount will not be considered a balloon maturity unless the principal amount of such Bonds would be considered as a balloon maturity. See “SECURITY FOR SERIES W BONDS—Issuance of Additional Bonds.”

“Authenticating Agent” means each and every agent appointed by the Trustee from time to time as agent of the Trustee for the authentication of Series W Bonds for so long as such appointment continues in effect.

“Authorized Denominations” for Series W Bonds means \$5,000 and any integral multiple thereof.

“Authorized Officer” means: (i) in the case of the University, the Chair, any Vice Chair, the Secretary or any Assistant Secretary of the Board of Trustees of the University or the Treasurer or any Assistant Treasurer of the Board of Trustees of the University, and any other officer or other employee duly authorized by the University or any of the above officers and (ii) in the case of the Trustee, any Vice President, any Assistant Vice President and any Trust Officer, and any other person authorized by or pursuant to the by-laws of the Trustee or a resolution of the Board of Directors of the Trustee.

“Bond” or “Bonds” means any obligation or obligations, including bonds, notes, temporary, interim or permanent certificates of indebtedness, debentures, capital leases, or any and all other obligations consistent with the Indenture and allowable under State law, which are payable out of Student Fees and other Pledged Funds and which obligation or obligations are authenticated and delivered under and pursuant to the Indenture.

“Bond Counsel” means any law firm having a national reputation in the field of municipal law whose opinions are generally acceptable by purchasers of municipal bonds, appointed by resolution of the University with the approval of the Trustee.

“Bondholder” or “holder of a Bond” or any similar term means a registered owner of any Bond.

“Business Day” means any day other than a Saturday, Sunday or other day on which banks located in the State of Indiana are required or authorized to remain closed.

“Code” means the Internal Revenue Code of 1986, as amended or any successor or successors thereto.

“Credit Support Instrument” means an irrevocable letter of credit, line of credit, insurance policy, guaranty or surety bond or similar instrument providing for the payment of or guaranteeing the payment of principal or purchase price of and interest on Bonds when due. Any such insurance policy, guaranty or surety bond or similar instrument must be noncancellable during the term of the Bonds for which it is provided and must be issued by an insurer with a credit rating within the two highest full rating categories available generally to issuers of such insurance, guaranties or surety bonds from a nationally recognized rating service. Any obligation on the part of the University to purchase Bonds from their holders upon the completion of the term of such Credit Support Instrument will be treated for these purposes as the conclusion of the term of such Bonds. Any such letter of credit or line of credit must be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the times of issuance, a credit rating on its long-term unsecured debt within the two highest full rating categories generally available to banking institutions from a nationally recognized rating service.

“Escrow Agreement” means the Escrow Deposit Agreement, dated as of January 1, 2015, between the University and the Escrow Trustee and Trustee.

“Escrow Trustee” means The Bank of New York Mellon Trust Company, N.A., and any permitted successor as escrow trustee under the Indenture, serving in such capacity under the Escrow Agreement.

“Escrowed Municipals” means obligations of state or local governments secured by an irrevocable escrow of Federal Securities; provided that such obligations are rated in the highest long term rating category by a nationally recognized rating service.

“Federal Securities” means securities of the type described in subparagraph (1) of the definition of “Permitted Investments.”

“Fiscal Year” means the period commencing on the first day of July of any year and ending on the last day of June on the next succeeding year or such other period as established by the University from time to time.

“Fixed Rate Bond” means a Bond issued at or bearing a fixed rate or rates of interest.

“Fund” means any of the funds established pursuant to the Amended Indenture or the Twenty-Second Supplemental Indenture.

“Green Bond Projects” means all or any portion of the following projects:

- (a) Arts & Sciences Building Project – Northwest Campus; and
- (b) Franklin Hall Project – Bloomington Campus.

“Indenture” means the Amended Indenture as supplemented by the Twenty-Second Supplemental Indenture and as otherwise supplemented and amended from time to time.

“Interest Payment Date” means August 1, 2015, and each February 1 and August 1 thereafter.

“Maximum Annual Debt Service” means the highest Annual Debt Service Requirement for the current or any succeeding Fiscal Year.

“Optional Maturity” or “Optional Maturities” means Parity Bonds which may, at the option of the owners thereof, be subject to payment, redemption or purchase by or on behalf of the University.

“Original Indenture” means the Trust Indenture by and between the University and the Trustee, dated as of October 1, 1985.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds for the payment or redemption of which cash or investments (but only to the extent that the full faith and credit of the United States of America are pledged to or secure the timely payment thereof) have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in the manner and with the type of investments provided in the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption must have been given or arrangements satisfactory to the Trustee must have been made therefor, or waiver of such notice satisfactory in form to the Trustee, must have been filed with the Trustee; and
- (c) Bonds in lieu of which others have been authenticated under the Indenture.

“Parity Bonds” means the Series I Bonds, Series O Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T Bonds, Series U Bonds, Series V Bonds and Series W Bonds, and all additional Bonds which are secured by a pledge, assignment and grant of and first lien and security interest against the Pledged Funds (except as otherwise provided in regard to the Reserve Fund).

“Paying Agent” means the Trustee, acting as such, and any additional paying agent for the Series W Bonds appointed pursuant to the Twenty-Second Supplemental Indenture, their respective successors, and any other entity which may at any time be substituted in their respective places pursuant to the Twenty-Second Supplemental Indenture.

“Permitted Investments” means, with respect to moneys held by the Trustee, any of the following which at the time are legal investments under the laws of Indiana for the moneys proposed to be invested therein:

- (1) Direct obligations of the United States of America or obligations the timely payment of principal of and interest on which is unconditionally guaranteed by the United States of America;

(2) Escrowed Municipals;

(3) Bonds, debentures or notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Export-Import Bank of the United States; Federal National Mortgage Association; Government National Mortgage Association; Federal Financing Bank; Federal Intermediate Credit Bank; Bank for Cooperatives; Federal Land Bank; Federal Home Loan Bank; Farmers Home Administration; Federal Farm Credit Banks; and The Federal Home Loan Mortgage Association;

(4) Certificates of deposit issued by or interest-bearing time deposit accounts with banks or savings banks organized under the laws of the State of Indiana or the United States of America, including the Trustee, which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or, to the extent not so insured, are fully collateralized by obligations described in clauses (1) or (3) based upon market value, which obligations are in the possession of the Trustee or its agent and are free and clear of all security interests, liens or other rights of any third party, and in which obligations the Trustee has a first perfected security interest; provided such banks or savings banks, including the Trustee, have capital, surplus and undivided profits in excess of \$50 million; provided, further, that no such deposit or certificate is in excess of 10% of such capital, surplus and undivided profits, in either case;

(5) Repurchase agreements with banks or other financial institutions, including the Trustee, which are fully collateralized by obligations described in clauses (1) or (3) based upon market value, which obligations are in the possession of the Trustee or its agent and are free and clear of all security interests, liens or other rights of any third party, and in which obligations the Trustee has a first, perfected security interest; provided, that any financial institution which is a broker-dealer must be a member of the Securities Investor Protection Corporation; and

(6) Investment agreements which are issued by banks or insurance companies who are, or which agreements are, at the time of issuance, execution and delivery of such agreements, rated in the two highest full rating categories by Moody's Investors Service and Standard & Poor's Ratings Group, or investment agreements in form acceptable to MBIA by financial institutions acceptable to MBIA.

"Pledged Funds" means Student Fees and the University's right to receive the same, the proceeds thereof, and all Funds created under the Indenture which are held by the Trustee (except that neither the Series W Bonds nor any currently Outstanding Bonds, except the Series I Bonds, have any claim on the Reserve Fund or any other reserve fund).

"Principal Operations Office" when used with respect to the Trustee's performance of its Paying Agent and Registrar functions means its operations office located in East Syracuse, New York.

"Prior Projects" means the facilities financed or refinanced by the Refunded Bonds.

"Projects" means the Prior Projects and the Green Bond Projects.

"Rebate Agreement" means, the Construction and Rebate Agreement between the University and the Trustee dated as of January 1, 2015.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the month immediately preceding such Interest Payment Date.

"Refunded Bonds" means the Bonds described in Appendix F to this Official Statement.

"Registrar" means the Trustee when acting as such in accordance with the Twenty-Second Supplemental Indenture.

“Reserve Fund” means the reserve fund established by the Indenture. The Series W Bonds (and the Series O Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T Bonds, Series U Bonds and Series V Bonds) are not secured by the Reserve Fund.

“Reserve Fund Credit Instrument” means an insurance policy, guaranty or surety bond or an irrevocable letter of credit which may be deposited in the Reserve Fund in lieu of or in partial substitution for cash or Permitted Investments to be on deposit therein. The company providing such insurance policy, guaranty or surety bond must be an insurer which, at the time of issuance of the policy, guaranty or surety bond, has been assigned the highest rating accorded insurers by Moody’s Investors Service or Standard & Poor’s Ratings Group or any successor rating service, and the policy must be subject to the irrevocable right of the Trustee to draw thereon in a timely fashion as needed and provided in the Indenture upon satisfaction of any conditions set forth in the Indenture. Any irrevocable letter of credit must be payable to and deposited with the Trustee and must be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance, a credit rating on its long term unsecured debt within the two highest full rating categories from a nationally recognized rating service. If the rating of any such banking institution, parent or holding corporation is downgraded below the two highest full rating categories or the letter of credit is otherwise terminated or not renewed by the University, then the University must promptly either (i) direct the Trustee to draw on such letter of credit and deposit the proceeds of said drawing in the Reserve Fund in satisfaction of the Reserve Fund Requirement or (ii) otherwise provide funds for deposit into the Reserve Fund in satisfaction of the Reserve Fund Requirement.

“Reserve Fund Requirement” means Maximum Annual Debt Service. However, for purposes of Maximum Annual Debt Service on any Variable Rate Bonds, notwithstanding the formula for calculation of interest on Variable Rate Bonds found in the definition of Annual Debt Service Requirement, interest on such Variable Rate Bonds will be calculated at a rate equal to the rate quoted in the most recent issue of The Bond Buyer (or any successor publication thereto) on the sale date of any such Additional Bonds as the 25 Revenue Bond Index (or any successor index). Notwithstanding the foregoing, there is no Reserve Fund Requirement with respect to the Series W Bonds (or the Series O Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T Bonds, Series U Bonds or Series V Bonds), and the principal of and interest on the Series W Bonds (and the principal of and interest on the Series O Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T Bonds, Series U Bonds and Series V Bonds) will not be taken into consideration in determining the Reserve Fund Requirement with respect to those Outstanding Bonds subject to the Reserve Fund Requirement. See Appendix D, “SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Flow of Funds—Reserve Fund.”

“Resolutions” means the resolutions adopted and approved by the Board of Trustees of the University on October 10, 2014, and the Finance, Audit and Strategic Planning Committee thereof on November 19, 2014, authorizing, among other things, the issuance of the Series W Bonds.

“Series I Bonds” means the University’s Outstanding Indiana University Student Fee Bonds, Series I, dated July 15, 1992, and issued in the original principal amount of \$45,214,686.

“Series O Bonds” means the University’s Outstanding Indiana University Student Fee Bonds, Series O, dated March 6, 2003, and issued in the original principal amount of \$111,490,000.

“Series Q Bonds” means the University’s Indiana University Student Fee Bonds, Series Q, dated June 20, 2006, and issued in the original principal amount of \$32,895,000.

“Series R Bonds” means the University’s Indiana University Student Fee Bonds, Series R, dated June 20, 2006, and issued in the original principal amount of \$129,150,000.

“Series S Bonds” means the University’s Indiana University Student Fee Bonds, Series S, dated February 21, 2008, and issued in the original principal amount of \$88,345,000.

“Series T Bonds” means (i) the University’s Indiana University Tax-Exempt Student Fee Bonds, Series T-1, dated April 20, 2010, and issued in the aggregate principal amount of \$16,010,000, and (ii) the University’s

Indiana University Taxable Student Fee Bonds, Series T-2 (Build America Bonds - Direct Pay Option), dated April 20, 2010, and issued in the aggregate principal amount of \$51,390,000.

“Series V Bonds” means (i) the University’s Indiana University Tax-Exempt Student Fee Bonds, Series V-1, dated October 26, 2012, and issued in the original principal amount of \$60,265,000 and (ii) the University’s Indiana University Taxable Student Fee Bonds, Series V-2, dated October 26, 2012, and issued in the original principal amount of \$47,485,000.

“Series W Bonds” means (i) the University’s Indiana University Student Fee Bonds, Series W-1 (Green Bonds), dated January 14, 2015, and issued in the original principal amount of \$58,960,000 and (ii) the University’s Indiana University Student Fee Bonds, Series W-2 (Refunding Bonds), dated January 14, 2015, and issued in the original principal amount of \$62,765,000.

“Series W Bond” or “Series W Bonds” means one or more of the Series W-1 Bonds and the Series W-2 Bonds.

“Series W Project Fund” means the Fund so designated which is created pursuant to the Twenty-Second Supplemental Indenture.

“Series W-1 Bond” or “Series W-1 Bonds” means the University’s Indiana University Student Fee Bonds, Series W-1 (Green Bonds), authorized pursuant to the terms and conditions of the Twenty-Second Supplemental Indenture.

“Series W-1 Interest Account” means the Account so designated which is created in the Sinking Fund pursuant to the Twenty-Second Supplemental Indenture.

“Series W-1 Principal Account” means the Account so designated which is created in the Sinking Fund pursuant to the Twenty-Second Supplemental Indenture.

“Series W-2 Bond” or “Series W-2 Bonds” means the University’s Indiana University Student Fee Bonds, Series W-2 (Refunding Bonds), authorized pursuant to the terms and conditions of the Twenty-Second Supplemental Indenture.

“Series W-2 Interest Account” means the Account so designated which is created in the Sinking Fund pursuant to the Twenty-Second Supplemental Indenture.

“Series W-2 Principal Account” means the Account so designated which is created in the Sinking Fund pursuant to the Twenty-Second Supplemental Indenture.

“Sinking Fund” means the Fund so designated which is created by the Original Indenture.

“Student Fees” means all academic fees (including tuition) however denominated, assessed by the University against students attending Indiana University, except certain dedicated fees and other fees released from the lien of the Indenture.

“Subordinated Bonds” means Additional Bonds issued pursuant to the Indenture which are issued for the specific purpose of evidencing a liability of the University in favor of any entity providing a Credit Support Instrument and which are subordinated to other Bonds as to principal and interest repayment.

“Supplemental Indenture” means any supplemental indenture between the University and the Trustee entered into pursuant to and in compliance with the provisions of the Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association with a corporate trust office located in Indianapolis, Indiana, and its successors and any corporation resulting from or

surviving any consolidation or merger to which it or its successor may be a party and any successor trustee serving under the Indenture.

“Twenty-Second Supplemental Indenture” means the Twenty-Second Supplemental Indenture between the University and the Trustee, dated as of January 1, 2015.

“Undelivered Bonds” means, at any time, Series W Bonds which are not presented to the Trustee for payment when the principal thereof and premium, if any, and interest thereon has become due, either at maturity or on the date fixed for redemption or otherwise, and for which sufficient moneys are on deposit with the Trustee or the Paying Agent to pay such principal thereof and premium, if any, and interest thereon in accordance with the Twenty-First Supplemental Indenture.

“Undertaking” means the Amended and Restated Continuing Disclosure Undertaking Agreement of the University, dated as of March 1, 2011, as supplemented from time to time, and as further supplemented by a Supplement to the Amended and Restated Continuing Disclosure Agreement dated as of January 1, 2015.

“University” means The Trustees of Indiana University, a statutory body politic of the State of Indiana, or any successor entity.

“Variable Rate Bond” means any Bond the interest rate on which, at the time of issuance, is not established at a fixed numerical rate or rates to stated maturity.

“Written Request” means a request in writing signed by the University’s authorized representative.

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SUMMARY OF CERTAIN PROVISIONS OF INDENTURE

Flow of Funds

Sinking Fund. At least five days prior to each interest or principal payment on the Series W Bonds and any Parity Bonds (except Optional Maturities provided for by virtue of a Credit Support Instrument), the University will transfer and remit Student Fees or other available funds to the Trustee in immediately available funds for deposit in a separate fund known as the “Sinking Fund,” in an amount which, when added to any amount then in the Sinking Fund, equals the sum of the principal of and interest on all Parity Bonds becoming due on the following interest or principal payment date (other than Optional Maturities for which a Credit Support Instrument is provided) and any deficiencies then in existence in regard to said fund. On or before any interest or principal payment date on Subordinated Bonds or any time for paying Optional Maturities for which a Credit Support Instrument has been provided but which have not been paid through a Credit Support Instrument, after making the transfers required above and described in the paragraph below concerning the Reserve Fund (but not with respect to the Series W Bonds or the Series O Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T, Series U Bonds or Series V Bonds), the University will transfer and remit Student Fees or other available funds to the Trustee in immediately available funds for deposit in the Sinking Fund in an amount which, when added to the excess amount in the Sinking Fund and other funds legally available for that purpose, equals the principal amount of Subordinated Bonds or Optional Maturities not paid through a Credit Support Instrument due on that payment date and interest accrued to that date in the order of priority established by the applicable Supplemental Indenture. Payments of such Optional Maturities from the Sinking Fund will be subordinate to the payment of the principal of and interest on Parity Bonds.

The moneys in the Sinking Fund will be used by the Trustee for the payment of the interest on and principal of the Parity Bonds as the same become due.

The Trustee will establish and maintain, so long as any of the Series W Bonds are Outstanding, separate accounts within the Sinking Fund to be known as the “Series W-1 Interest Account” and “Series W-2 Interest Account.” Moneys on deposit in the Series W-1 Interest Account and the Series W-2 Interest Account will be used by the Trustee to pay interest on the applicable Series W Bonds whenever such interest is due and payable. So long as any Series W Bonds are Outstanding, the Trustee will, on the first day of each February and August (or if such first day is not a Business Day, then on the first Business Day preceding such day), beginning August 1, 2015, deposit in the applicable Interest Account from moneys received from the University for such purpose an amount equal to the difference, if any, between (a) the interest due on the applicable Series W Bonds on said date and (b) the amount of moneys then on deposit in the applicable Interest Account available to pay such interest.

The Trustee will establish and maintain, so long as any of the Series W Bonds are Outstanding, separate accounts within the Sinking Fund to be known as the “Series W-1 Principal Account” and the “Series W-2 Principal Account.” All payments by the University on the Series W Bonds in respect to principal will be deposited by the Trustee in the Series W-1 Principal Account and the Series W-2 Principal Account. So long as any Series W Bonds are Outstanding, the Trustee will, on August 1, 2015, and on the first day of each August thereafter (or, if such first day is not a Business Day, then on the first Business Day preceding such day), deposit in the applicable Principal Account from any moneys received by the Trustee from the University an amount equal to the difference, if any, between (a) the principal amount of applicable Series W Bonds maturing on said date and (b) the amount of moneys then on deposit in the applicable Principal Account available to pay principal of the applicable Series W Bonds so maturing. Moneys deposited in the applicable Principal Account will be used by the Trustee to pay the applicable Series W Bonds at maturity or upon mandatory sinking fund redemption.

Reserve Fund. The Reserve Fund will not be available to pay the principal of or the interest on the Series W Bonds (or the Series O Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T, Series U Bonds or Series V Bonds). With respect to other Bonds Outstanding, the University will maintain with the Trustee a separate fund known as the “Reserve Fund” pursuant to the Indenture. On the date of issuance of the Series W Bonds and subject to certain permitted withdrawals described below, the Trustee will hold Reserve Fund Credit

Instruments, cash and investments in the Reserve Fund in satisfaction on an aggregate basis of the Reserve Fund Requirement for the Outstanding Bonds which are secured by the Reserve Fund. In connection with the issuance of Additional Bonds, the University may deposit in the Reserve Fund an amount sufficient to maintain the fund equal to the Reserve Fund Requirement. However, the University may issue Additional Bonds that are not subject to the Reserve Fund Requirement (including the Series W Bonds), and for which the Reserve Fund will be unavailable with respect to the payment of the principal of and the interest on such Additional Bonds. Such deposit requirement, if any, in connection with the issuance of Additional Bonds may also be satisfied by providing in a Supplemental Indenture that 50% of the increase in the Reserve Fund Requirement is deposited upon delivery of the Additional Bonds and that the remainder may be provided for by annual deposits commencing on the October 1 following the date on which said Additional Bonds are issued and continuing on or before each October 1 thereafter for three succeeding years or such lesser number of years specified in the Supplemental Indenture. Said deposits, if any, must be in the amounts provided for in the Supplemental Indenture.

For Bonds Outstanding subject to the Reserve Fund Requirement, the University may elect to provide a Reserve Fund Credit Instrument for purposes of maintaining the Reserve Fund Requirement. In those circumstances, the Trustee will include in the total amount held in the Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under any Reserve Fund Credit Instrument. Under certain circumstances involving the downgrading of ratings of banks related to letters of credit comprising Reserve Fund Credit Instruments, the Trustee is required to draw on the letter of credit or the University is required to otherwise provide funds to deposit in the Reserve Fund in lieu of the letter of credit.

Solely with respect to Bonds Outstanding subject to the Reserve Fund Requirement, the Reserve Fund will be used and applied to make up deficiencies in the Sinking Fund with respect to any Parity Bonds (other than Optional Maturities for which a Credit Support Instrument has been provided) and the Trustee will draw first on any cash or Permitted Investments on deposit in the Reserve Fund and then, pro rata or as otherwise provided in the applicable Supplemental Indenture, on the Reserve Fund Credit Instrument or Instruments as needed for the purpose of paying the principal of, redemption premium, if any, and interest on Parity Bonds when due, when there are insufficient moneys in the Sinking Fund for such purposes.

Any withdrawal from the Reserve Fund, if the amount thereafter in the Reserve Fund is less than the Reserve Fund Requirement, must be subsequently replaced and restored from the first available Pledged Funds after all required transfers to the Sinking Fund for Parity Bonds have been made in full. Such replacement and restoration will first be provided in regard to all Reserve Fund Credit Instrument or Instruments on a pro rata basis or as otherwise provided from time to time in Supplemental Indentures and thereafter in favor of any portion of the Reserve Fund to be maintained in cash or Permitted Investments.

If a drawing is made from any Reserve Fund Credit Instrument, the University will reinstate the maximum limits of such instrument within 12 months following such drawing solely from Pledged Funds available after all required payments have been made into the Sinking Fund for Parity Bonds, so that, together with moneys on deposit therein, if any, there will be on deposit in the Reserve Fund an amount (including the maximum amount then payable under the terms of the Reserve Fund Credit Instrument) equal to the Reserve Fund Requirement.

Series W Project Fund. The Trustee will transfer and deposit (or cause to be transferred and deposited) the proceeds from the sale of the Series W Bonds to the “Series W Project Fund” established and maintained by the University pursuant to the Rebate Agreement. The Series W Project Fund is ***not*** included in the Pledged Funds under the Indenture.

Moneys deposited to the credit of the Series W Project Fund will be deposited in the following Accounts of the Series W Project Fund:

Refunding Account. A portion of the proceeds of the Series W-2 Bonds will be deposited into the “Refunding Account.” The University will establish and maintain a separate account with the Escrow Trustee pursuant to the Escrow Agreement to be known as the Escrow Fund (the “Escrow Fund”). The University will immediately transfer (or cause to be transferred) all moneys deposited in the Refunding Account to the Escrow Trustee for deposit in the Escrow Fund. Such moneys will be held in the Escrow Fund, and will be invested and

disbursed to pay the principal of and premium, if any, and interest on the Refunded Bonds as provided in the Escrow Agreement.

Project Accounts. A portion of the proceeds of the Series W-1 Bonds will be deposited into (i) the “Bloomington Campus -- Franklin Hall Account”; and (ii) the “Northwest Campus -- Arts and Sciences Building Account”. Amounts in each such Account will be applied only toward the cost of (or to reimburse the University for payment theretofore made by it on account of) any portion of the Green Bond Projects for which such Account is created. Upon the completion of any portion of the Green Bond Projects for which any such Account is created, any balance of moneys in such Account may, at the option of the University, be (i) applied to pay other costs associated with such portion of the Green Bond Projects, to the extent permitted under federal tax laws and regulations, (ii) transferred to the Series W-1 Interest Account of the Sinking Fund to pay interest on the Series W-1 Bonds, (iii) transferred to the Series W-1 Principal Account of the Sinking Fund to pay principal of the Series W-1 Bonds, (iv) deposited in the Rebate Fund, or (v) transferred to an additional project account as provided in the Indenture and the Rebate Agreement.

If at any time it becomes impossible or impractical for the University to expend moneys deposited in a Project Account, the University may transfer such moneys to a new account for a different project in accordance with the requirements of the Indenture and the Rebate Agreement.

Expense Account. A portion of the proceeds of the Series W Bonds will be deposited into the “Expense Account”. Moneys on deposit in the Expense Account will be applied to pay the costs of issuing the Series W Bonds and refunding the Refunding Bonds. Any moneys remaining in the Expense Account on July 15, 2015, will be transferred, at the option of the University, to either the Earnings Account, the Series W-1 Interest Account or the Series W-2 Interest Account of the Sinking Fund or The Trustees of Indiana University Series W Rebate Fund (the “Rebate Fund”) created under the Rebate Agreement.

Earnings Account. Moneys on deposit in the Series W Project Fund and all the accounts thereof (except the Refunding Account will be invested in accordance with the provisions of the Rebate Agreement, and income or losses resulting from such investments will be credited or debited to the “Earnings Account”. Moneys on deposit in the Earnings Account will, at the option of the University, be (i) applied to the payment of the costs of (or to reimburse the University for payment previously made by it on account of) any of the Green Bond Projects or the costs of issuing the Series W Bonds (including any investment management fees), (ii) transferred to the Series W-1 Interest Account or the Series W-2 Interest Account of the Sinking Fund to pay interest on the applicable Series W Bonds or (iii) deposited into the Rebate Fund.

Additional Security

At any time by a Supplemental Indenture, the University may pledge, assign or grant a security interest in or lien on any additional funds or source of regular income of the University to the Trustee for the security of the Bonds, free and clear of any equal or prior security interest or lien. Any such Supplemental Indenture must be accompanied by an opinion of nationally recognized bond counsel that the pledge of additional security is valid, binding and effective. Upon such a Supplemental Indenture being delivered, the amount of the additional income pledged thereby as to which the Supplemental Indenture applies will be added to the amount of Student Fees for purposes of computing the amount of Additional Bonds which may be issued.

Partial Release of Lien on Student Fees

The University, from time to time, has the right to incur other indebtedness pursuant to provisions of Indiana law other than the Act, which indebtedness may be payable from a particular fee or fees or other charges made to students attending Indiana University, which fees or charges may be Student Fees. The University and the Trustee may, from time to time, enter into a Supplemental Indenture for the purpose of releasing said fees or charges from the lien of the Indenture and excluding said fees or charges constituting Student Fees from the definition of Student Fees in the Indenture, if actual Student Fees received by the University during the preceding Fiscal Year, less those fees and charges to be removed from the definition of Student Fees and from the lien of the Indenture, are

equal to or greater than five times Maximum Annual Debt Service to become due in the succeeding Fiscal Years for the payment of principal and interest charges on Parity Bonds Outstanding.

Covenants of University

In the Indenture, the University covenants, among other things:

(a) to pay the interest on and principal of the Bonds, including the Series W Bonds, according to the terms thereof and of the Indenture;

(b) to pay all the costs, charges and expenses, including reasonable attorney fees, reasonably incurred or paid by the Trustee or any Bondholder, because of the failure on the part of the University to perform, comply with and abide with each and every of the stipulations, agreements, conditions and covenants of the Bonds, including the Series W Bonds, and the Indenture, or either of them;

(c) to operate Indiana University and its instructional program to the extent that it will continue to be able to assess, charge and collect Student Fees adequate to meet its obligations and covenants under the Indenture;

(d) to establish and collect Student Fees so as to generate in each Fiscal Year amounts equal to no less than the sum of: (i) an amount equal to 2.00 times the Annual Debt Service Requirement for such Fiscal Year, provided that if the rate of interest borne by any Variable Rate Bond is fixed for such Fiscal Year at a single rate of interest, such Variable Rate Bonds will be treated as Fixed Rate Bonds for the purposes of the Annual Debt Service Requirement calculation; (ii) the amount, if any, to be paid into the Reserve Fund or to be paid to any provider of a Reserve Fund Credit Instrument with respect to such Fiscal Year; and (iii) any other amounts to be paid from Student Fees with respect to such Fiscal Year in accordance with the Indenture; and to adopt an annual budget for each Fiscal Year setting forth the above items;

(e) to keep and maintain accurate books and records relating to the collection of Student Fees and the allocation thereof, the enrollment of students at Indiana University and the payments into the Sinking Fund and Reserve Fund, which said books and records will be opened for inspection by any holder of the Bonds at any reasonable time;

(f) to furnish to the Trustee and any owner of at least \$5,000,000 in aggregate principal amount of Bonds requesting the same in writing, not later than 150 days after the close of each Fiscal Year, copies of reports, certified by the Treasurer of the University, reflecting in reasonable detail the status of the books and records described in clause (e) above;

(g) that it will not permit the Projects to be used in any manner that would result in the loss of the exclusion of interest on the Series W Bonds or the Refunded Bonds from gross income for federal income tax purposes under Section 103 of the Code as currently in effect, nor will it act in any other manner which would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series W Bonds, based on current law in effect on the date of delivery of the Series W Bonds or the Refunded Bonds;

(h) that it and the Trustee will not make any investment or do any other act or thing during the period that any Series W Bonds are Outstanding under the Indenture which would cause any of the Series W Bonds or the Refunded Bonds to become or be classified as arbitrage bonds within the meaning of Section 148 of the Code; provided, however, it will not be an event of default under the Indenture if the interest on the Series W Bonds becomes includable in gross income for federal income tax purposes or otherwise subject to federal income taxes pursuant to any provision of the Code which is not currently in effect and in existence on the date of issuance of the Series W Bonds; and

(i) to do any and all things necessary in order to maintain the pledge, assignment and grant of a lien on and security interest in the Pledged Funds as valid, binding, effective and perfected, all as provided in the Indenture.

Other Indebtedness

Except to the extent permitted in the Indenture for the issuance of Additional Bonds (both Parity Bonds and Subordinated Bonds), for so long as any of the Bonds are outstanding, the University will not issue bonds or other evidences of indebtedness or enter into leases that are prior to or on a parity with the Bonds, but may issue bonds or other evidences of indebtedness for any of the purposes set forth in the Indenture with a lien on Student Fees that is junior to the Bonds.

Investments

All moneys on deposit in the Funds established under the Indenture held by the University may be commingled for investment purposes with the University's other investments and invested as permitted by law. The Funds held by the Trustee will be invested by the Trustee as directed by the University in Permitted Investments. Interest earned or gains or losses realized on Funds held by the Trustee will be credited or debited to the Fund in which it is earned, except that interest earned or gains realized on any amount held in the Reserve Fund from time to time will be credited to the Sinking Fund, as described above.

The 2014 Project Fund and Rebate Fund will be managed pursuant to the Rebate Agreement and invested as permitted by law. Investment income on such funds will be retained therein, except that investment income on amounts in the 2014 Project Fund may be transferred to the Sinking Fund or the Rebate Fund.

Defaults and Remedies

Any of the following events is an "Event of Default" under the Indenture:

(a) default is made in the payment by the University of the principal of any one or more of the Bonds when the same becomes due and payable by lapse of time, by call for redemption or otherwise; or

(b) default is made in the payment by the University of any interest on any one or more Bonds when the same becomes due and payable as therein expressed; or

(c) default is made by the University or any of its officers in the performance of any of the other covenants, conditions or obligations in the Bonds or in the Indenture expressed and such default is not remedied within 30 days after written notice to do so from the Trustee, which may serve such notice in its discretion and will serve the same at the written request of the holders of not less than 25% in the principal amount of Bonds then outstanding under the Indenture or of the provider of any Credit Support Instrument or a Reserve Fund Credit Instrument; or

(d) the University (i) admits in writing its inability to pay its debts generally as they become due, (ii) has an order for relief entered in any case commenced by or against it under federal bankruptcy laws, (iii) commences a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or has such a proceeding commenced against it and has either an order of insolvency or reorganization entered against it or has the proceeding remain undismissed and unstaged for 90 days, (iv) makes an assignment for the benefit of creditors, or (v) has a receiver or trustee appointed for it for the whole or substantial part of its property.

Upon any Event of Default, the Trustee may, in its discretion, and, upon the written request of the holders of 25% in principal amount of the Bonds then Outstanding or the provider of any Credit Support Instrument or Reserve Fund Credit Instrument and upon being indemnified to its satisfaction by the party requesting such action, will proceed to protect and enforce its rights and the rights of the holders of the Bonds by suit or suits at law or in

equity, whether for the specific performance of any covenant or agreement in the Indenture, or in execution or aid of any power granted in the Indenture, or for the enforcement of any other proper legal or equitable remedy as the Trustee, being advised by the counsel, deems most effectual to protect and enforce its rights and the rights of such holders of the Bonds.

All rights of action under or in respect of the Indenture may be exercised only by the Trustee and no holder of any Bond will have any right to institute any suit, action or proceeding at law or in equity for any remedy under the Indenture or by reason of the Indenture, unless and until the Trustee has received the written request of the holders of not less than 25% in principal amount of the Bonds then Outstanding (or any provider of any Credit Support Instrument or Reserve Fund Credit Instrument to the extent provided in the applicable Supplemental Indenture) and has been offered reasonable indemnity and has refused or for 30 days thereafter neglected to institute such suit, action or proceeding. The making of such request and the furnishing of such indemnity are in each case conditions precedent to the execution and enforcement by any such holder of the powers and remedies given to the Trustee under the Indenture and to the institution and maintenance by any such holder of any action or cause of action for any remedy under the Indenture. The Trustee may, in its discretion, and, when thereunto duly requested in writing by the holders of at least 25% in principal amount of the Bonds then Outstanding or the provider of any Credit Support Instrument or Reserve Fund Credit Instrument and furnished indemnity satisfactory to it against expenses, charges and liabilities, will take default on the part of the University as the Trustee may deem expedient in the interest of the holders of the Bonds Outstanding.

The Indenture appoints the Trustee the special agent and representative of the holders of Bonds and vests with the Trustee full power in their behalf to effect and enforce the Indenture for their benefit as provided therein. However, the holders of 51% or more in principal amount of the Bonds then outstanding, in case of any Event of Default, or of any other event entitling the Trustee to proceed under the Indenture, will have the right from time to time to direct and control the method and place of conducting any and all proceedings by the Trustee for the enforcement of any of the provisions of the Indenture or for the appointment of a receiver and any other proceedings taken by virtue of any provisions of the Indenture.

Unless an Event of Default has occurred and has not been cured, the University will remain in full possession and control of the Student Fees. Upon the occurrence of an Event of Default, the Trustee will have the right, upon a demand to the University, to have all Student Fees deposited, as they are collected, in a Student Fee Fund created by the Indenture to be maintained by the Trustee, to invest that Fund in Permitted Investments, to apply amounts in the Fund to the payment of principal of or interest on the Bonds and the maintenance of the Reserve Fund and to remit all other amounts in the Fund not needed to be held aside for those purposes to the University.

Defeasance

If (1) the University pays, or causes to be paid, or there is otherwise paid to the holders of all Bonds, the principal of and the applicable redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, (2) the University pays all expenses and fees of the Trustee and any Paying Agent, (3) the University keeps, performs and observes all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, and (4) the University pays or causes to be paid all the amounts owed under any Credit Support Instrument or Reserve Fund Credit Installment, then the pledge of Pledged Funds and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the University to the Bondholders, will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will cause an accounting for such period or periods as is requested by the University to be prepared and filed with the University, and upon request of the University will execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and the Paying Agent will pay over to or deliver to the University all moneys or securities held by them pursuant to the Indenture which are not required for the payment of principal of, applicable redemption premiums, if any, and interest on the Bonds. If the University pays or causes to be paid, or makes provision for payment in accordance with the Indenture, to the holders of all Outstanding Bonds of a particular series, or of a particular maturity within a series, the principal of and the applicable redemption premium, if any, and the interest due or to become due thereon, at the times and in the manners stipulated therein and in the Indenture, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture (except with

respect to the moneys or Federal Securities and Escrowed Municipals deposited as required by the Indenture) and all covenants, agreements and obligations of the University to the holders of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or principal installments thereof and interest thereon for the payment or redemption of which monies have been set aside and are held in trust by the Trustee (through irrevocable deposit by the University of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Any Outstanding Bonds of any series or of a particular maturity within a series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the University has given to the Trustee irrevocable instructions accepted in writing by the Trustee to give notice of redemption of such Bonds on said date, (b) there has been deposited with the Trustee either monies in an amount which are sufficient, or Federal Securities or Escrowed Municipals the principal of and the interest on which when due will provide monies which, together with other monies, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal of and the applicable redemption premium, if any, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds do not mature and are not to be redeemed within the next succeeding 60 days, the University has given the Trustee in form satisfactory to it irrevocable instructions accepted in writing by the Trustee to give notice as soon as practicable, to the holders of such Bonds that the deposit described in clause (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which monies are to be available for the payment of the principal of and the applicable redemption premium, if any, on said Bonds. Neither the Federal Securities or Escrowed Municipals nor monies deposited with the Trustee nor principal or interest payments on any such Federal Securities or Escrowed Municipals may be withdrawn or used for any purpose other than, and must be held in trust for, the payment of the principal of and the applicable redemption premium, if any, and the interest on said Bonds; provided that any cash received from such principal or interest payments on such Federal Securities or Escrowed Municipals deposited with the Trustee, (i) to the extent such cash will not be required at any time for such purpose, will be paid over to the University as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Indenture, and (ii) to the extent such cash will be required for such purpose at a later date, will, to the extent practicable, be reinvested in Federal Securities or Escrowed Municipals maturing at times and in amounts sufficient to pay when due the principal of and the applicable redemption premium, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the University, as received by the Trustee, free and clear of any trust, lien or pledge. Federal Securities or Escrowed Municipals, as described in this paragraph, mean and include only such securities which are not callable at the option of the issuer except for Escrowed Municipals for which irrevocable instructions to redeem on a certain date have been given.

The escrow or defeasance agreement accomplishing the defeasance described in the preceding paragraph may provide that such escrow may be restructured to provide for an earlier or a later redemption of Bonds being defeased thereby than contemplated in the original defeasance or escrow agreement or to provide that the escrow may be restructured to allow a defeasance to maturity or Bonds previously intended to be called for redemption at a prior date pursuant to the original escrow or defeasance agreement. Any such restructuring of an escrow may only be accomplished when, to the reasonable satisfaction of the Trustee, the continued sufficiency of the escrow to accomplish its intended tasks has been verified and when the Trustee has received an opinion of bond counsel that such restructuring will not adversely affect the tax status of interest on the Bonds nor result in a violation of any other applicable federal tax or securities laws.

The term "Federal Securities," as used in the preceding paragraphs under the caption "Defeasance", means direct obligations of or obligations the timely payment of principal of or interest on which is unconditionally guaranteed by the United States of America.

Any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for five years after the date of deposit of such moneys if deposited with the Trustee or Paying

Agent after the said date when such Bonds become due and payable, will, at the written request of the University, be repaid by the Trustee or Paying Agent to the University, as its absolute property and free from trust, and the Trustee and Paying Agent will thereupon be released and discharged with respect thereto and the Bondholders must look only to the University for the payment of such Bonds.

Supplemental Indentures; Amendments

The Trustee and the University may, from time to time, enter into Supplemental Indentures for any of the following purposes without any consent of, action by or notice to the Bondholders:

- (a) to restrict the issue and the purposes of issue of Additional Bonds under the Indenture by imposing additional conditions and restrictions as long as the same do not impair the security afforded by the Indenture;
- (b) to add to the covenants and agreements of the University in the Indenture or to surrender any right or power in the Indenture reserved to or conferred upon the University;
- (c) to describe the terms of a new series of Bonds;
- (d) to make such provisions in regard to matters or questions arising under the Indenture as may be necessary or desirable but not inconsistent with the Indenture;
- (e) otherwise to modify any of the provisions of the Indenture or to relieve the University from any of the obligations, conditions or restrictions contained in the Indenture; provided that no such modification will be or become operative or effective or in any manner impair any rights of the Bondholders or the Trustee (except as otherwise provided or permitted pursuant to the Indenture), while any Bonds of any series issued prior to the execution of such Supplemental Indenture remain outstanding; and provided further that such Supplemental Indenture is specifically referred to in the text of all Bonds of any series issued after the execution of such Supplemental Indenture; and provided, also, that the Trustee may in its uncontrolled discretion decline to enter into any such Supplemental Indenture which in its opinion may not afford adequate protection to the Trustee when such Supplemental Indenture becomes operative;
- (f) to add to the powers, duties or obligations of the Trustee or to impose requirements with respect to the qualification or disqualification of any bank or trust company to act as Trustee under the Indenture;
- (g) to further restrict investments to be made by the Trustee or University;
- (h) to grant additional rights to the provider of any Credit Support Instrument or Reserve Fund Credit Instrument, including, if desired, the creation of a special reserve therefor;
- (i) to provide for partial release of the lien on and security interest in Student Fees as provided in the Indenture; or
- (j) for any other purpose not prohibited by the terms of the Indenture and which do not impair the security afforded thereby, or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision in the Indenture or in any Supplemental Indenture.

The holders of not less than 51% in principal amount of the Bonds Outstanding, or 51% in principal amount of any series of Bonds Outstanding affected by such modification or alteration, will have the power to authorize any modification or alteration of the Indenture or any Supplemental Indentures. However, no such modification or alteration may (i) affect the University's obligation to pay the debt service on the Bonds, including the Series W Bonds, in respect to date of payment, place of payment and amount, (ii) give to any Bond or Bonds secured by the Indenture any preference over any other Bond or Bonds so secured in a manner inconsistent with the

terms of the original issuance thereof, (iii) authorize the creation of any lien upon any of the property the income of which is or will, in the future, be payable to the Trustee under the Indenture, (iv) deprive any Bondholder of the security afforded by the Indenture, (v) reduce the percentage of principal amount of Bonds required by the provisions of the Indenture for any action, or (vi) extend the maturity or interest payments, reduce the interest rate, change the formula for determining the variable interest rate or reduce the maturity amount of any Bond without the consent of each Bondholder so affected.

No Recourse

The Indenture and the Bonds are made, executed and negotiated under and pursuant to the terms and conditions of the Act. No recourse may be had for the performance of any covenant contained in the Indenture nor for the payment of the principal of or premium, if any, or interest on the Bonds upon the State of Indiana or the University, or upon the property or funds of the State of Indiana or the University, except from the Pledged Funds to the extent and in the manner authorized by law and the Indenture.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or any Bond may be had against any officer, trustee, employee, agent or representative of the University, and no personal liability whatever will attach to or be incurred by the present or any future officer, trustee, employee, agent or representative of the University by reason of any of the obligations, covenants or agreements contained in the Indenture or any of the Bonds, or be implied therefrom.

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APPENDIX E

FORM OF OPINIONS OF CO-BOND COUNSEL

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[FORM OF SERIES W-1 (GREEN BONDS) OPINION]

January 14, 2015

The Trustees of Indiana University
Bloomington, Indiana

Morgan Stanley & Co. LLC, as Representative
of the Underwriters
New York, New York

The Bank of New York Mellon Trust
Company, N.A., as Trustee
Indianapolis, Indiana

Re: Indiana University Student Fee Bonds, Series W-1 (Green Bonds) (the “Bonds”) issued by The Trustees of Indiana University (the “Corporation”) pursuant to a Trust Indenture dated as of October 1, 1985, as heretofore supplemented and amended, and as further supplemented by a Twenty-Second Supplemental Indenture dated as of January 1, 2015 (collectively, the “Indenture”), to The Bank of New York Mellon Trust Company, N.A., Indianapolis, Indiana, as trustee (the “Trustee”); Principal amount \$58,960,000

Ladies and Gentlemen:

We have examined a transcript of the proceedings had by the Corporation relative to the authorization, issuance and sale of the Bonds to provide funds for the financing of the New Projects (as defined in the Indenture), as certified by the Secretary or Assistant Secretary of the Corporation, and the Indenture as executed and delivered for the purpose of securing the payment of the Bonds and the interest thereon.

We have relied upon a certified transcript of proceedings and other certificates and representations of the Corporation, including certain tax covenants and representations (the “Tax Covenants”), and have not undertaken to verify any facts by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

1. The Indenture has been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Corporation, enforceable in accordance with its terms.

2. The Bonds have been duly authorized, executed and issued and are the valid and binding obligations of the Corporation, enforceable in accordance with their terms.

3. Under existing laws, judicial decisions, regulations and rulings, the interest on the Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Bonds from state income taxes.

4. Under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax on certain corporations. This opinion is conditioned on continuing compliance by the Corporation with the Tax Covenants. Failure to comply with the Tax Covenants

could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

It is to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is also to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to the valid exercise of the constitutional powers of the State of Indiana and the United States of America.

Very truly yours,

[FORM OF SERIES W-2 (REFUNDING BONDS) OPINION]

January 14, 2015

The Trustees of Indiana University
Bloomington, Indiana

Morgan Stanley & Co. LLC, as Representative
of the Underwriters
New York, New York

The Bank of New York Mellon Trust
Company, N.A., as Trustee
Indianapolis, Indiana

Re: Indiana University Student Fee Bonds, Series W-2 (Refunding Bonds) (the “Bonds”) issued by The Trustees of Indiana University (the “Corporation”) pursuant to a Trust Indenture dated as of October 1, 1985, as heretofore supplemented and amended, and as further supplemented by a Twenty-Second Supplemental Indenture dated as of January 1, 2015 (collectively, the “Indenture”), to The Bank of New York Mellon Trust Company, N.A., Indianapolis, Indiana, as trustee (the “Trustee”); Principal amount \$62,765,000

Ladies and Gentlemen:

We have examined a transcript of the proceedings had by the Corporation relative to the authorization, issuance and sale of the Bonds to provide funds for the refunding of the Refunded Bonds (as defined in the Indenture), as certified by the Secretary or Assistant Secretary of the Corporation, and the Indenture as executed and delivered for the purpose of securing the payment of the Bonds and the interest thereon.

We have relied upon a certified transcript of proceedings and other certificates and representations of the Corporation, including certain tax covenants and representations (the “Tax Covenants”), and have not undertaken to verify any facts by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

1. The Indenture has been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Corporation, enforceable in accordance with its terms.

2. The Bonds have been duly authorized, executed and issued and are the valid and binding obligations of the Corporation, enforceable in accordance with their terms.

3. Under existing laws, judicial decisions, regulations and rulings, the interest on the Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Bonds from state income taxes.

4. Under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax on certain corporations. This opinion is conditioned on continuing compliance by the Corporation with the Tax Covenants. Failure to comply with the Tax Covenants

could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

It is to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is also to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to the valid exercise of the constitutional powers of the State of Indiana and the United States of America.

Very truly yours,

APPENDIX F

SUMMARY OF REFUNDED BONDS

The Refunded Bonds consist of the following:

1. The Trustees of Indiana University, Indiana University Student Fee Bonds, Series R, described below (the “Refunded Series R Bonds”):

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
08/01/2023	\$3,075,000	4.550%	455167R57
08/01/2024	3,215,000	4.600	455167R65
08/01/2025	3,370,000	4.625	455167R73
08/01/2026	3,530,000	4.625	455167R81
08/01/2031*	4,600,000	4.750	455167R99

*Final maturity

The Refunded Series R Bonds will be called for redemption prior to maturity on August 1, 2016.

2. The Trustees of Indiana University, Indiana University Student Fee Bonds, Series S, described below (the “Refunded Series S Bonds”):

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
08/01/2019	\$4,390,000	5.000%	455167W51
08/01/2020	4,615,000	5.000	455167W69
08/01/2021	4,850,000	5.000	455167W77
08/01/2022	5,095,000	5.000	455167W85
08/01/2023	5,360,000	5.000	455167W93
08/01/2024	5,625,000	4.625	455167X27
08/01/2025	5,890,000	4.625	455167X35
08/01/2026	6,170,000	4.625	455167X43
08/01/2027	2,320,000	4.750	455167X50
08/01/2028	1,065,000	4.750	455167X68
08/01/2029	1,115,000	4.750	455167X76
08/01/2030	1,170,000	4.750	455167X84
08/01/2032*	2,500,000	4.500	455167X92

*Final Maturity

The Refunded Series S Bonds will be called for redemption prior to maturity on August 1, 2018.

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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)(1) of the Restated Undertaking.

Dated: December 19, 2014

THE TRUSTEES OF INDIANA UNIVERSITY,
as Obligor

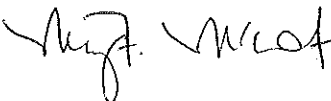
By: 
Name: MaryFrances McCourt
Title: Treasurer

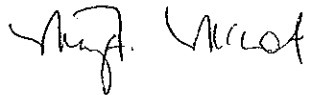
EXHIBIT C

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 19, 2014

THE TRUSTEES OF INDIANA UNIVERSITY,
as Obligor

By: 
Name: MaryFrances McCourt
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, 2014 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 P: December 2004
Indiana University Student Fee Bonds, Series Q: June 2006
Indiana University Student Fee Bonds, Series R: June 2006
Indiana University Student Fee Bonds, Series S: February 2008
Indiana University Student Fee Bonds, Series T-1 & 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 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 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 Facility Revenue System Bonds, Series 2004: July 2004

Indiana University Student Residence System Bonds, Series 2004B: June 2004