INDIANA UNIVERSITY




2007-08 Financial Report



INDIANA UNIVERSITY

Financial Report 2007–08

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Message from the President

Michael A. McRobbie
President, Indiana University

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

Dear Governor Daniels:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2007-08 Financial Report.

At this moment of economic, social, and political uncertainty, we can say for certain that Indiana University has built tremendous momentum during the past academic year. During that time, we have demonstrated repeatedly our renewed commitment to excellence in education and research, our two fundamental missions. And we have further strengthened our engagement in the life of the state.

At the beginning of 2007-08, I set a number of goals for IU that centered on ensuring that an IU education is not only excellent, but also accessible and affordable to all of the state's citizens. We are determined to see that Indiana's top students—regardless of their family circumstances—will always have the option of attending IU and taking advantage of all that one of the world's leading research universities can provide.

Increasing Bachelor Degree Production

On average, men with college degrees earn about $1 million more in their lifetimes than do men with high school degrees and college-educated women earn about $750,000 more than high school-educated women. Programs funded under IU's Degrees of Excellence Initiative, which I announced in my inaugural address, aim to keep students at IU and help them progress quickly toward degree or program completion. In its first year, this initiative led to $2 million in cuts from administrative spending, reallocating those funds to programs that increase the number of degrees earned. The program is beginning its second year and has significantly enhanced opportunities for student achievement. It has

expanded existing financial aid and academic support programs and created innovative new programs such as IUPUI's Themed Learning Communities, IU South Bend's Peer Mentor Program, and IU Southeast's Mid- Semester Intervention Program. This is a model for collective financial reallocation efforts aimed at transforming student lives.

Sending Many More IU Students Overseas to Study

I just returned from travelling with a delegation from Indiana University to both Korea and China. We visited with our alumni in both countries and strengthened our ties with both Korean and Chinese universities by signing university-level agreements that will greatly increase the potential for IU students to study abroad. I firmly believe that international experiences are critical in preparing our students for the world in which they will live. In our increasingly global culture, where economic highs and lows reverberate the world over, international experience is becoming essential.

I am pleased, therefore, to report that the number of IU Bloomington students studying abroad increased by 17% last year and was nearly 2,000. This trend is reflected across the university. IU South Bend set a new record for the number of students studying abroad with programs in Costa Rica, the Dominican Republic, France, England, and Peru. Just last spring, a group of nursing students at IU Kokomo traveled to Guatemala as part of the Hispanic Culture and Healthcare program, providing education, health, and nutrition services to poverty-stricken individuals in over 18 villages. At IUPUI, the summer language and culture program in Guangzhou, China, enabled a group of students to participate in educational exchange classes and travel to the Great Wall, the Forbidden City, and other historic sites.

Making IU Even More Research-Intensive

It is heartening to report that the 2007-08 school year was Indiana University's best ever for externally-sponsored research. Our outstanding faculty surpassed the half-billion dollar mark in grant and award totals, receiving a record $525.3 million. Over $263 million of that total was from federal sources, a 25% increase over last year and a new record for the university.

Constructing Substantially More Campus Space

Indiana University is in the midst of one of the largest construction efforts in decades. Across the university over the past year, together with our partner Clarian Hospital, we have completed or are nearing the completion of ten buildings, which are adding well over 1.2 million square feet

of teaching, research, and living space. That includes new student housing complexes at IU South Bend and IU Southeast, both of which opened in the fall and are at or near capacity. It also includes the magnificent IU Simon Cancer Center, a 400,000 square foot facility that opened earlier this fall and allows IU researchers and clinicians to provide the very best care to tens of thousands of patients every year. Currently, we have over 15 buildings and facilities under construction or in the planning stages across the university. I am very proud to report that we are making tremendous strides in obtaining the space that IU will require to compete internationally in the 21st century.

Translating IU Research into Marketable Products

IU's 2008-09 budget contains nearly $11 million to

- Construct the Bloomington Incubator,
- Subsidize our technology transfer operations,
- Support the IU Research & Technology Corporation in Indianapolis,
- Fund the Emerging Technology Center in Indianapolis, and
- Create the office of the Vice President for Engagement.

We had a real breakthrough this last year when IU and Purdue were jointly awarded a $25 million grant from the National Institutes of Health to fund the Clinical and Translational Sciences Institute at IU and Purdue. This institute will be among a handful of academic health centers in the nation that are funded to speed the translation of research discoveries to the hospital patient bedside. Now that we have succeeded in mapping the human genome, the possibility exists to correct genetic deformities that lead to Huntington's disease, multiple sclerosis, and many other previously incurable diseases. These dedicated efforts will tie Indiana University even more closely to the economic development needs of the State of Indiana.

Leveraging the Intellectual Resources of IU Bloomington and IUPUI

Working across the core campus is especially important in an era in which increasingly large multi-disciplinary grants are replacing the traditional model of much smaller single-investigator grants. The $25 million Clinical and Translational Science Award mentioned above is a classic example of such a grant that draws on the great strengths at the IU School of Medicine in partnership with researchers at IU Bloomington and at Purdue.

Purdue and IU have used this project as a model for our joint state appropriation request this year. This is the first time in history that IU and Purdue have made a joint funding request to the Indiana General Assembly. We are asking the state for $35 million per year to create the Indiana Innovation Alliance. With these funds, granted jointly to IU and Purdue, we will help the state grow its bio-science and life-sciences industries, increase the number of physicians being trained in Indiana, and improve public health.

Keepings Arts and Sciences Central to IU's Mission

Regardless what IU does in life sciences, economic development, and other areas, IU will continue to keep arts and humanities central to our mission. With one of the best music programs in the world and a rich culture of the arts across

the university, Indiana University's facilities showcase the talents of our peerless faculty and talented students. Facilities like Eskenazi Hall and the galleries at the Herron School at IUPUI, like the Ogle Center at IU Southeast, and like the Auditorium and the Musical Arts Center at IU Bloomington are all part of the constellation of facilities that fulfill that need.

We are building on this foundation with record investment in the arts and humanities that I first announced in my inaugural address. Thanks to a very generous $44 million gift from the Lilly Endowment, we have begun planning for the Jacobs School of Music North Studio Building, which will have the highest quality acoustics and technology. This facility will surpass the teaching and practice facilities of other music schools and conservatories the world over.

We are also in the planning phases on a $15 million renovation of the University Theatre into a state-of-the-art digital cinema facility, which I mentioned in my inaugural address last year. With the highest quality digital and traditional projection equipment, this cinema will rank among the best in the country, will greatly strengthen our film studies program, and will attract the newest experimental films as well as classic films that are too fragile to be played elsewhere on lesser equipment.

This record investment also targets additional humanities programs through the International Studies Building, a $47 million project that I also mentioned last year. This building will house many of our leading departments, programs, and centers in international studies, and will feature major new classroom facilities specially designed to support education in these fields. As such, this building will build upon IU's great traditions of global education and engagement.

Educating a Student Body That Reflects Indiana's Diversity

Indiana University must reflect the diversity that exists within our state—whether this diversity is in income, race, or gender. University-wide, we saw increases across the board in the number of underrepresented minority groups. Both IU East and IU Southeast noted increases of over 20 percent, and most other campuses across the university saw overall increases among these student populations, including an 8.1 percent increase

at IU Bloomington. That puts Bloomington's percentage of minority students—11.1 percent—at close to the state average.

As encouraging as these numbers are, we must redouble our efforts in this area. To this end, I recently announced a major $1 million initiative to strengthen racial, ethnic, and cultural diversity at all of the university's campuses. This is a new approach to increasing diversity designed to draw upon the creativity and initiative of units across the university.

Conclusion

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

Yours sincerely,

Michael A. McRobbie
President

Message from the Vice President and Chief Financial Officer

Neil Theobald
Vice President and
Chief Financial Officer,
Indiana University

Greetings to President Michael McRobbie and Trustees of Indiana University:

I am pleased to present the consolidated financial report for Indiana University for the fiscal year ended June 30, 2008. The financial statements highlight the strong fiscal health of the university and the overall growth in net assets. Increased revenues, including tuition and grants and contracts, have more than offset the rising operating expenses of the university.

The past year has been an exciting one for the university and that excitement is reflected in some of the major achievements in the finance area:

- The Degrees of Excellence initiative will reallocate $10 million over five years from administrative spending to fund academic initiatives on each of our campuses that are geared to helping our students progress more quickly toward degree completion.
- 2007-08 was Indiana University's best ever for externally-sponsored research. Our outstanding faculty surpassed the half-billion dollar mark in grant and award totals, having been awarded a record $525.3 million. Over $263 million of that total was from federal sources, a 25% increase over last year and a new record for the university.
- For the first time, IU and Purdue have made a joint funding request to the General Assembly to create the Indiana Innovation Alliance, which would help the state grow its bio-science and life-sciences industries, increase the number of physicians being trained in Indiana, and improve public health.
- University-wide, we saw increases across the board in the number of students from underrepresented minority groups. Both IU East and IU Southeast noted increases of over 20 percent in under-represented minorities. Most other campuses across the university saw overall increases among these student populations, including an 8.1% increase at IU Bloomington.

Under the leadership of President Michael A. McRobbie, the priorities of the Vice President and Chief Financial Officer for the upcoming fiscal year are:

- Recruitment and retention of excellent faculty members;
- Facilitation of intercampus research collaboration, especially between Bloomington and IUPUI;
- Significant increases in graduation rates and numbers for baccalaureate degrees and certification programs;
- Development of a new master plan to guide an aggressive building program focused on providing new buildings and facilities for the arts, humanities, social sciences, international studies, the life sciences, and economic development, as well as improved student housing in Bloomington;
- Expansion of academic initiatives focused on life and health sciences, arts and humanities, and international partnerships; and
- Increased commitment to economic development in Indiana.

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

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

Sincerely,

Neil Theobald
Vice President and Chief Financial Officer

Indiana University (university) presents its audited financial statements for the fiscal year ended June 30, 2008, along with comparative data for the fiscal years ended June 30, 2007 and 2006. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the university at the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, which reflects revenues and expenses for the fiscal year; and the Statement of Cash Flows, which provides information on cash inflows and outflows for the university by major category during the fiscal year. The university has provided analysis of major variances that occurred between fiscal years 2007 and 2008 as well as information regarding capital asset and debt administration, and an economic outlook.

Statement of Net Assets

Total assets at June 30, 2008, were $3.68 billion, an increase of $216.7 million over the prior fiscal year. Net capital assets comprised $2 billion of the $3.68 billion in assets.

Total liabilities were $1.35 billion at June 30, 2008, which was a $77.4 million increase since June 30, 2007. Noncurrent liabilities comprised 64.6%, or $872.6 million, of total liabilities at June 30, 2008.

Total net assets at June 30, 2008, were $2.33 billion, a $139.3 million increase over the prior year, or a 6.4% increase in net assets. The breakout of net assets is shown below for the last three years:

Comparative Statement of Net Assets

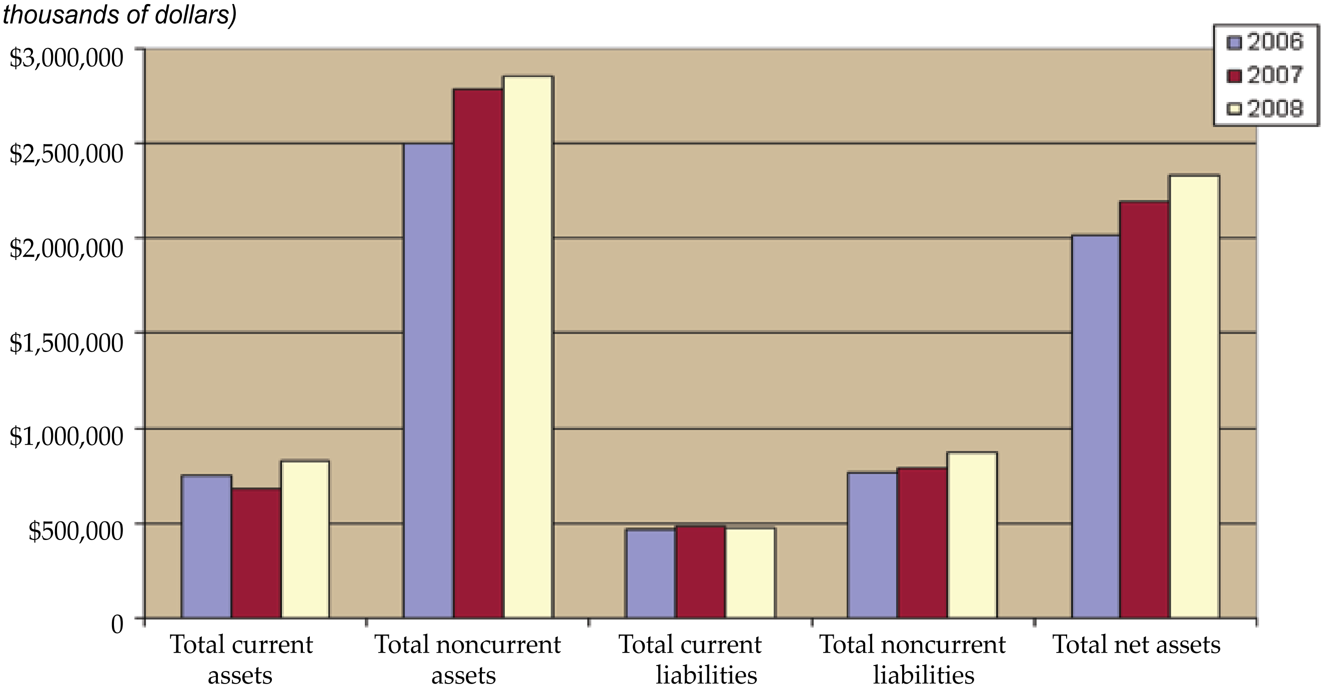
(in thousands of dollars)

	June 30, 2008	*June 30, 2007*	*June 30, 2006*
Invested in capital, net of related debt	$1,336,766	$1,304,656	$1,259,567
Restricted net assets	211,828	223,977	191,247
Unrestricted net assets	783,370	663,995	566,671
Total net assets	**$2,331,964**	**$2,192,628**	**$2,017,485**

The following chart displays the composition of assets and liabilities, both current and noncurrent, and net assets at June 30, 2006, 2007, and 2008:

Comparison of Statement of Net Assets at June 30, 2006, 2007, and 2008

(in thousands of dollars)



Statement of Revenues, Expenses, and Changes in Net Assets

Comparative Revenues, Expenses, and Changes in Net Assets

(in thousands of dollars)

	Fiscal Year Ended:		
	June 30, 2008	*June 30, 2007*	*June 30, 2006*
Operating revenues	$1,722,616	$1,692,210	$1,624,947
Operating expenses	(2,287,359)	(2,223,932)	(2,128,006)
Operating loss	(564,743)	(531,722)	(503,059)
Nonoperating revenues	717,332	726,892	637,338
Nonoperating expenses	(36,335)	(35,952)	(32,593)
Other revenues	23,082	15,925	21,134
Increase in net assets	**$ 139,336**	**$ 175,143**	**$ 122,820**

Revenues

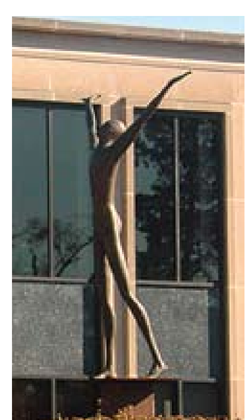
University operating revenues for fiscal year ended June 30, 2008 increased by 1.8% over the previous fiscal year. The changes in revenues are as follows:

- Student fee revenues, net of scholarship allowances, were $764.1 million in 2008 compared to $687.1 million in 2007, an overall increase of 11.2%. This increase was due to a combination of increased student fee rates and enrollment growth.
- Federal grants and contracts were $290.9 million in 2008, an increase of 1.5% over the previous fiscal year. This category of revenue includes funds received from the government for financial aid as well as sponsored research, training, and other sponsored activities.
- $21.1 million in state and local grants and contracts were recognized for the fiscal year, compared to $25.2 million in 2007.
- Nongovernmental grants and contracts were $107.1 million, a decrease of $14.7 million over the previous fiscal year.
- Sales and services of educational units decreased from $49.1 million to $48.9 million. This was less than a 1% decrease from 2007. In 2006 sales and services were $48.2 million.
- Other operating revenue of $171.3 million was a decrease of 7.9% over the previous fiscal year of $185.9 million. This includes School of Medicine revenue from private practice plans and hospital agreements. Between 2007 and 2006 other operating revenue experienced an increase of 7.4%.
- Auxiliary enterprises experienced a decrease in revenue of 5.1% or $17.2 million to $319.2 million. A decrease was expected due to the outsourcing of campus bookstores. Revenue in this category in 2007 and 2006 was $336.4 million and $320.5 million, respectively.

Total nonoperating revenues decreased 1.3% from $726.9 million for fiscal year ended June 30, 2007, to $717.3 million for fiscal year ended June 30, 2008 and includes the following:

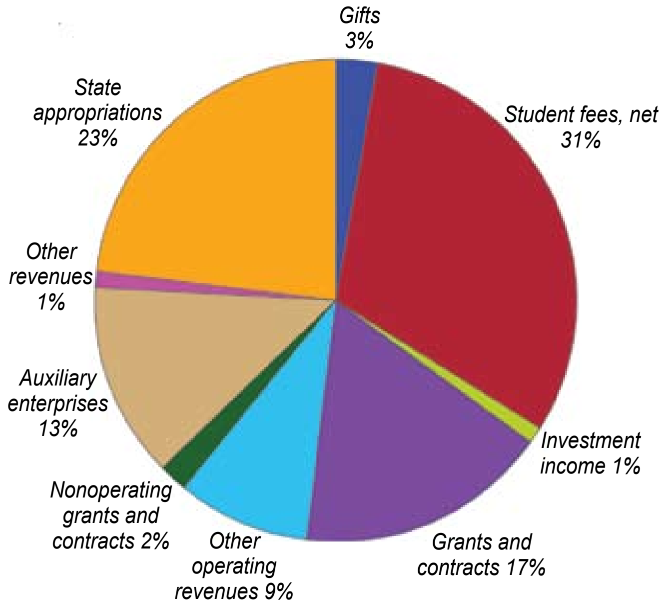
- State appropriations, the largest single source of nonoperating revenue for the university, increased for the first time in two years from $527.7 million in 2007 to $558 million in 2008. In 2006, state appropriations were $528.6 million.
- Grants and contracts were $51.3 million for 2008, a 10.9% increase over the previous year's revenue of $46.3 million.
- Investment income decreased 64.1%, from $85.5 million for fiscal year ended June 30, 2007 to $30.7 million for fiscal year ended June 30, 2008. Between fiscal years 2006 and 2007, this category experienced an increase of 80.1%.
- Gifts increased 14.7% to $77.3 million, or $9.9 million over the previous fiscal year. Gifts totaled $67.4 million in 2007 and $61.3 million in 2006.

Other revenues included capital appropriations of $12.6 million, an increase of $2.1 million over the previous fiscal year; capital gifts and grants of $10.2 million, a $6.9 million increase over 2007; and additions to permanent endowments of $264 thousand.

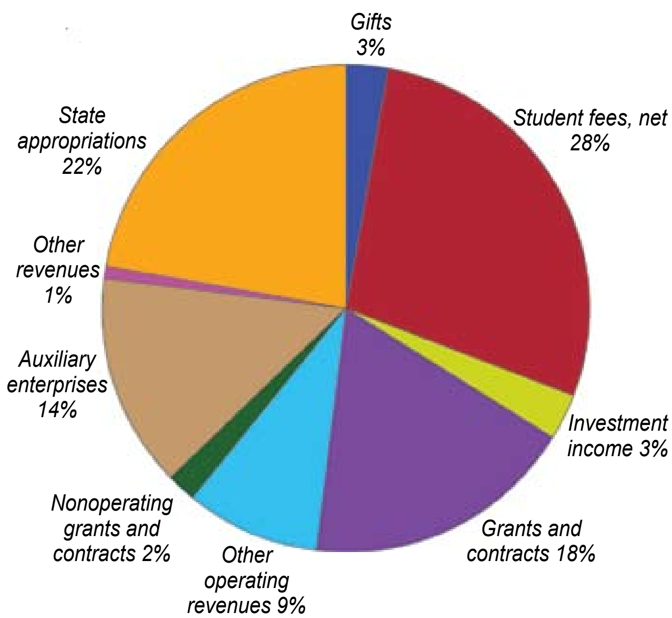


In summary, total revenues of the university increased $28 million to $2.46 billion, an overall increase of 1.2%. Comparably, 2007 total revenues increased 6.6% and the 2006 increase was 3.9%. The composition of the 2008 and 2007 revenues is displayed in the following graphs:

Total Revenues 2008



Total Revenues 2007



Expenses

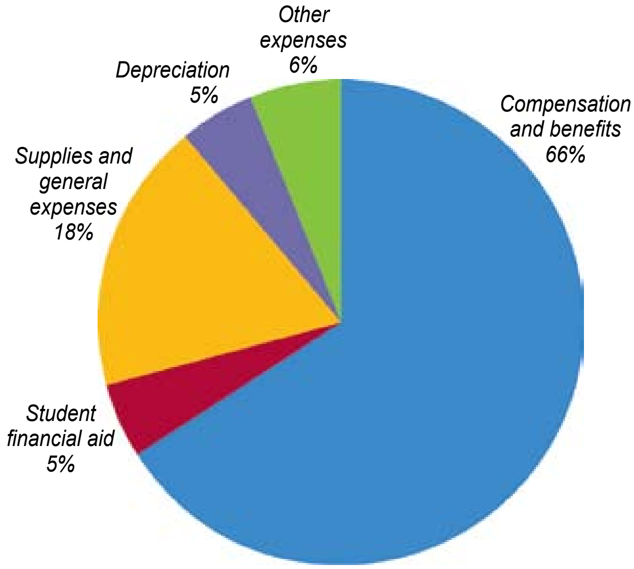
Operating expenses were $2.29 billion for fiscal year ended June 30, 2008. This was an increase over the previous fiscal year of $63.4 million, or 2.9%. Changes in the major categories of expenses are as follows:

- Total compensation is comprised of academic and staff salaries, hourly compensation, and benefits. This category increased by 5.5%, from $1.46 billion to $1.54 billion. Benefits were the predominant factor of the increase in this category with an 8.9% increase over the prior year, followed by an increase of 4.8% in academic salaries. Fiscal year ended June 30, 2006, had $1.38 billion in total compensation.
- Student financial aid increased from $98.1 million to $109.6 million. This was an 11.7% increase over the previous fiscal year. 2007 experienced a 5% increase over 2006.
- Energy and utilities increased 10.2%, from $52.4 million in 2007 to $57.8 million in 2008. The 2007 and 2006 increases were 4.1% and 13.5%, respectively.
- Travel expenses increased 9% in 2008, from $36.2 million to $39.5 million. Between 2006 and 2007 the university experienced an 8.6% increase in travel expenses.
- Supplies and general expense decreased by 8.7% in 2008, from $469.5 million to $428.5 million. The 2006 expense for this category was $461.3 million.
- Depreciation and amortization expense of $116.7 million in 2008 is $4.8 million more than in 2007.

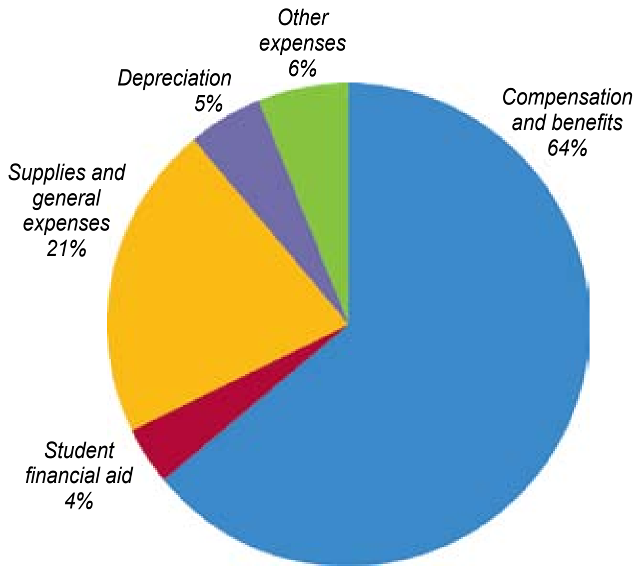
Nonoperating expense, interest expense, increased 1.1% between 2007 and 2008, from $36 million to $36.3 million.

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

Total Expenses 2008



Total Expenses 2007



Gifts

Major gifts are received during the year through the Indiana University Foundation (IU Foundation), a separate not-for-profit organization, whose primary mission is to raise funds for the university. For the 2008 fiscal year a $4,450,000 building was donated to the South Bend campus for the establishment of the Elkhart Center.

Net Assets

Income before other revenues, expenses, gains, or losses was $116.3 million and $159.2 million for fiscal years ended 2008 and 2007, respectively. This represents a decrease of 27%. Between 2006 and 2007 income before other revenues, expenses, gains, or losses increased by 56.6%.

Net assets increased by $139.3 million over the previous fiscal year. Total net assets were $2.33 billion for fiscal year 2008, compared to net assets at June 30, 2007, of $2.19 billion. This was a 6.4% increase in net assets. Comparatively, net assets increased 8.7% between 2006 and 2007.

Statement of Cash Flows

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

Comparative Statement of Cash Flows

(in thousands of dollars)

	Fiscal Year Ended: June 30, 2008	June 30, 2007	June 30, 2006
Net cash provided (used) by:			
Operating activities	($427,854)	($431,904)	($409,784)
Noncapital financing activities	698,970	661,346	588,661
Capital and related financing activities	(174,292)	(194,322)	(101,763)
Investing activities	93,896	(128,010)	75,513
Net increase (decrease) in cash and cash equivalents	190,720	(92,890)	152,627
Beginning cash and cash equivalents	383,786	476,676	324,049
Ending cash and cash equivalents	$ 574,506	$383,786	$476,676

Cash used by operating activities decreased by $4.1 million. The use of cash was impacted by a $98.4 million increase from the previous year in payments to employees and a $66.9 million decrease in payments to suppliers. These changes in cash outlays for expenditures were offset by increases of $72 million from student fees and $16.4 million in grants and contracts receipts. Decreases in cash receipts of $15.6 million and $20.7 million occurred with sales and services of educational activities and auxiliary enterprises, respectively.

Noncapital financing activities increased $37.6 million. State appropriations comprised one of the largest portion of the increase with a $26.8 million increase over the previous fiscal year. Gifts and grants received for other than capital purposes increased from $71.4 million in 2007 to $77.2 million in 2008.

Cash flows from capital and related financing activities increased by $20 million. The primary driver was an increase in the proceeds from issuance of capital debt from $85 million in 2007 to $289.8

Henderson Garage and Parking Operations, IUB

Campus Center, IUPUI

million in 2008. Cash outlays affecting this category also include an increase in purchases of capital assets between 2007 and 2008 of $44.2 million and an increase in principal paid on capital debt of $185.7 million.

Cash flows from investing activities increased $221.9 million.

Capital Asset and Debt Administration

The university made significant investments in capital during fiscal year 2008 (see Note 7). New facilities were funded by bond issues, renewal and replacement reserves, and gifts. Some of the more significant facilities that came on-line this year are as follows:

The Henderson Parking Garage on the Bloomington campus opened December 2007. The five and one-half level parking garage is a post-tensioned poured-in-place concrete structure. The exterior of the garage is faced with limestone to blend with other campus buildings. The project provides office space of approximately 3,700 assignable square feet to house Parking Operations. The garage has 560 car spaces. The total cost of the project was $10.9 million.

The Multidisciplinary Science Building Phase I, Simon Hall, is located near the southern edge of the Bloomington campus. The building is in the Art Modern version of Collegiate Gothic style of architecture with cut limestone used in the main façade. The facility opened September 2007 and has over 80,000 assignable square feet. The building houses several research programs, primarily involving researchers from the disciplines of Chemistry, Biology, and Physics. Initial occupants include: The Center for Genomics and Bioinformatics, Proteomics Center, Biochemistry/Biophysics, Bio-organic/Biomaterial, and the Jack and Linda Gill Center. The total building cost was $58 million.

The Campus Center on the Indianapolis campus opened in December 2007. The building has over 148,000 assignable square feet and cost $58.6 million. This student union building houses various student services and student activity functions including the bookstore, credit union, and a food court. Furthermore, over 40,000 assignable square feet will house both academic and administrative activities. The building was designed to be a focal point of the campus with a modern clock tower.

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

An Incubator Building on the Bloomington campus will provide space for research ventures and associated administrative and support services. With an estimated cost of $10 million, the project will be funded with $2 million of grant funds and $8 million of other university funds.

An International Studies Building on the Bloomington campus will consolidate many of the various international centers, institutes and study programs that are currently scattered around campus. The building will accommodate office, teaching, and support areas in approximately 156,700 gross square feet of space. Estimated to cost $47 million, funding will be provided by $10.5 million to be re-appropriated by the Indiana General Assembly and $36.5 million through gifts and other university funds.

Elkhart Center, IU South Bend

The Music Faculty Studio Building for the Jacobs School of Music will replace the current Music Addition Building on the Bloomington campus. The building will accommodate approximately 135 teaching studios as well as music practice rooms, classrooms, offices, rehearsal rooms and graduate student spaces in approximately 146,600 gross square feet. Estimated to cost $44 million, the project will be funded by a gift from the Lilly Endowment.

The University Theatre located in the eastern end of the Auditorium Building on the Bloomington campus will be renovated. The project will remodel Theatre and Drama spaces and restore the former theatre area for a University Cinema. The theatre is an architectural and design jewel redolent of 1930's modernism, containing four Thomas Hart Benton murals. The murals will be restored as part of this project. Estimated to cost up to $15 million, this project will be funded by gifts and other university funds.

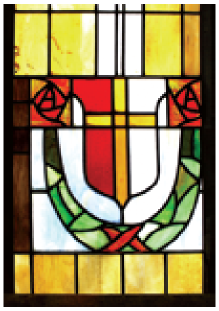
In January 2008, the university issued Consolidated Revenue Bonds, Series 2008A in the amount of $182,755,000 to finance the acquisition, construction and equipping of:

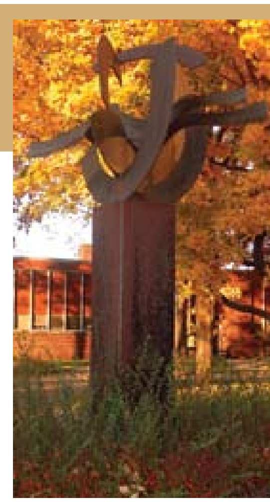
- the Henderson Parking Garage on the Bloomington campus,
- the Hoosier Education and Performance Center at the north end of Memorial Stadium,
- renovation of space under the east stands of Memorial Stadium for the Academic Center for Excellence,
- the Indiana Basketball Development Center adjacent to Assembly Hall,
- Research III on the Indianapolis campus
- Student Housing on the Southeast campus, and
- Student Housing on the South Bend campus.

In February 2008, the university issued Student Fee Bonds, Series S in the amount of $88,345,000 to finance the acquisition, construction and equipping of:

- the Campus Center on the Indianapolis campus,
- a cyber-infrastructure facility-data center on the Bloomington campus,
- a multi-disciplinary science building on the Bloomington campus,
- a medical education center on the Fort Wayne campus,
- renovations to the central heating plant on the Bloomington campus, and
- costs related to land acquisition on the South Bend campus.

A portion of the money was also used to refund Tax-Exempt Commercial Paper, Series 2005 and Series 2007A.





The university's ratings on debt obligations were last reviewed and updated in January 2008. On January 16, 2008, Moody's Investors Service reaffirmed its previous underlying rating of 'Aa1' on student fee bonds, student residence system, facility revenue bonds and 'P-1' on commercial paper. A rating of 'Aa1' was also assigned to the university's new consolidated revenue bonds. On January 18, 2008, Standard and Poor's Credit Market Services, a Division of the McGraw-Hill Companies, reaffirmed its previous underlying rating of 'AA' on student fee bonds, student residence system, facility revenue bonds and 'A-1+' on commercial paper. A rating of 'AA' was also assigned to the university's new consolidated revenue bonds.

Economic Outlook

The State of Indiana provides approximately 24% of Indiana University's total financial resources during a fiscal year. State revenues exceeded forecast during FY 2007-08 by $32 million and year-over-year revenue growth was 2.4%, reflecting a slowdown in the economy. Despite this modest revenue growth, the state's budget was balanced with base revenues exceeding base expenditures, in part due to effective management of state agency budgets, which in total, expended less than appropriations. Evidence indicates that Indiana's financial condition at the fiscal year close was better than most of its sister states.

Looking ahead to FY 2008-09, revenue growth is again projected to be modest – around 2% as the national economy continues to struggle. A concern is summer 2008 unemployment data, which indicated an increase in Indiana's unemployment rate. It is uncertain to what extent this will negatively impact state revenue collections. In addition, fallout from the national economy and financial markets crisis is a major concern as well. The state revenue forecast, addressing FY 2008-09 through FY 2010-11, will be updated in December 2008. This will provide a better indication of the expected impact of the economy on state finances.

Student enrollment for the university is projected to remain strong during the 2008-09 academic year. Overall, the financial position of the university is favorable and management will continue to monitor state and national economic conditions as part of its critical financial decision making process.

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

Simon Hall, IU Bloomington

Indiana University Statement of Net Assets

(in thousands of dollars)

	June 30, 2008	*June 30, 2007*
ASSETS		
Current assets		
Cash and cash equivalents	$ 574,506	$ 383,786
Accounts receivable, net	114,030	130,870
Current portion of notes and pledges receivable	11,086	10,881
Inventories	9,501	15,659
Short-term investments	20,351	20,506
Securities lending assets	77,920	97,985
Other assets	21,739	20,935
Total current assets	829,133	680,622
Noncurrent assets		
Accounts receivable	15,303	2,426
Notes and pledges receivable	75,406	71,515
Investments	715,369	778,704
Capital assets, net	2,048,204	1,933,451
Total noncurrent assets	2,854,282	2,786,096
Total assets	**3,683,415**	**3,466,718**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	210,039	197,143
Deferred revenue	138,069	147,391
Current portion of capital lease obligations	1,518	1,570
Current portion of long-term debt	51,312	41,067
Securities lending liabilities	77,920	97,985
Total current liabilities	478,858	485,156
Noncurrent liabilities		
Capital lease obligations	9,064	9,942
Notes payable	4,101	141,290
Assets held in custody for others	66,577	65,923
Deferred revenue	48,729	24,778
Bonds payable	725,723	534,898
Other long-term liabilities	18,399	12,103
Total noncurrent liabilities	872,593	788,934
Total liabilities	**1,351,451**	**1,274,090**
NET ASSETS		
Invested in capital assets, net of related debt	1,336,766	1,304,656
Restricted for:		
Nonexpendable - endowments	67,508	73,025
Expendable		
Scholarships, research, instruction and other	85,480	91,866
Loans	23,182	22,357
Capital projects	14,122	13,247
Debt service	21,536	23,482
Unrestricted	783,370	663,995
Total net assets	**2,331,964**	**2,192,628**
Total liabilities and net assets	**$3,683,415**	**$3,466,718**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Financial Position
As of June 30, 2008

	Unrestricted		Temporarily Restricted		Permanently Restricted		
Assets:	Foundation	Agency	Foundation	University	Foundation	University	Total
Cash and cash equivalents	$ -	$ 7,720,887	$ -	$ 130,686,673	$ -	$ -	$ 138,407,560
Collateral under securities lending agreement	7,151,679	25,638,214	702,998	80,382,128	2,702,064	79,280,497	195,857,580
Receivables and other assets	6,372,116	315,233	8,389	2,358,350	40,768	66,339,393	75,434,249
Net investment in direct financing leases	8,834,739	-	-	-	-	-	8,834,739
Promises to give, net	761,139	-	2,231,444	53,309,827	1,044,857	76,702,028	134,049,295
Investments	55,301,817	198,252,708	5,436,074	621,571,162	20,894,256	613,052,571	1,514,508,588
Property, plant and equipment, net	44,037,042	-	-	-	-	-	44,037,042
Total assets	$ 122,458,532	$ 231,927,042	$ 8,378,905	$ 888,308,140	$ 24,681,945	$ 835,374,489	$ 2,111,129,053
Liabilities and net assets:							
Liabilities:							
Accounts payable and other	$ 5,403,991	$ 2,663,045	$ 21,884	$ 5,990,779	$ 333,921	$ 11,281,177	$ 25,694,797
Payable under securities lending agreement	7,151,679	25,638,214	702,998	80,382,128	2,702,064	79,280,497	195,857,580
Debt	20,991,865	-	-	-	-	58,083	21,049,948
Accrued trust obligation to life beneficiaries	5,798	-	3,827,191	6,555,567	454,742	20,880,334	31,723,632
Due to (from)	46,768,243	-	121,718	(48,706,845)	10,528	1,806,356	-
Interfund financing	(5,900,000)	-	-	5,900,000	-	-	-
Assets held for the University	-	186,690,631	-	-	-	-	186,690,631
Assets held for University affiliates	-	16,935,152	-	-	-	-	16,935,152
Total liabilities	74,421,576	231,927,042	4,673,791	50,121,629	3,501,255	113,306,447	477,951,740
Net assets	48,036,956	-	3,705,114	838,186,511	21,180,690	722,068,042	1,633,177,313
Total liabilities and net assets	$ 122,458,532	$ 231,927,042	$ 8,378,905	$ 888,308,140	$ 24,681,945	$ 835,374,489	$ 2,111,129,053

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

Indiana University
Statement of Revenues, Expenses, and Changes in Net Assets

(in thousands of dollars)

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Operating revenues		
Student fees	$ 878,229	$ 785,127
Less scholarship allowance	(114,154)	(98,006)
Federal grants and contracts	290,929	286,687
State and local grants and contracts	21,100	25,153
Nongovernmental grants and contracts	107,146	121,853
Sales and services of educational units	48,929	49,108
Other revenue	171,284	185,891
Auxiliary enterprises (net of scholarship allowance of $13,796 in 2008 and $12,245 in 2007)	319,153	336,397
Total operating revenues	**1,722,616**	**1,692,210**
Operating expenses		
Compensation and benefits	1,535,335	1,455,868
Student financial aid	109,566	98,061
Energy and utilities	57,773	52,409
Travel	39,481	36,231
Supplies and general expense	428,521	469,503
Depreciation and amortization expense	116,683	111,860
Total operating expenses	**2,287,359**	**2,223,932**
Total operating loss	**(564,743)**	**(531,722)**
Nonoperating revenues (expenses)		
State appropriations	558,022	527,747
Grants and contracts	51,317	46,285
Investment income	30,721	85,462
Gifts	77,272	67,398
Interest expense	(36,335)	(35,952)
Net nonoperating revenues	**680,997**	**690,940**
Income before other revenues, expenses, gains, or losses	**116,254**	**159,218**
Capital appropriations	12,601	10,467
Capital gifts and grants	10,217	3,311
Additions to permanent endowments	264	2,147
Total other revenues	**23,082**	**15,925**
Increase in net assets	**139,336**	**175,143**
Net assets, beginning of year	**2,192,628**	**2,017,485**
Net assets, end of year	**$2,331,964**	**$2,192,628**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted University	Total
Revenue and support:						
Contributions, net	$ 1,540,959	$ 79,574	$ 85,886,258	$ 43,513	$ 112,282,442	$ 199,832,746
Investment income including net gains (losses), net of outside investment management fees	(9,824,607)	-	(68,086,154)	(23,237)	(35,204)	(77,969,202)
Management/administrative fees	18,740,948	-	(13,499,409)	-	(2,690,494)	2,551,045
Grants	-	-	46,122,789	-	-	46,122,789
Other income	11,719,337	-	5,429,487	108	337,542	17,486,474
Development service fees from the University	4,779,824	-	-	-	-	4,779,824
Net assets released from restriction	146,201,423	-	(146,422,210)	-	220,787	-
Total revenue and support	173,157,884	79,574	(90,569,239)	20,384	110,115,073	192,803,676
Expenditures:						
Program expenditures	159,921,451	-	-	-	80,111	160,001,562
Management and general	12,198,191	2,829	251,267	(15)	(686,682)	11,765,590
Fund raising	14,751,399	-	-	-	-	14,751,399
Change in value of split interest agreement obligation to life beneficiaries	2,177	390,612	1,247,800	78,630	3,944,290	5,663,509
Total expenditures	186,873,218	393,441	1,499,067	78,615	3,337,719	192,182,060
Change in net assets:						
Unrestricted	(13,715,334)	-	-	-	-	(13,715,334)
Temporarily restricted	-	(313,867)	(92,068,306)	-	-	(92,382,173)
Permanently restricted	-	-	-	(58,231)	106,777,354	106,719,123
Total change in net assets	(13,715,334)	(313,867)	(92,068,306)	(58,231)	106,777,354	621,616
Beginning net assets	61,752,290	4,018,981	930,254,817	21,238,921	615,290,688	1,632,555,697
Ending net assets	$ 48,036,956	$ 3,705,114	$ 838,186,511	$ 21,180,690	$ 722,068,042	$ 1,633,177,313

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

Indiana University
Statement of Cash Flows

(in thousands of dollars)

	Fiscal Year Ended June 30, 2008	*Fiscal Year Ended June 30, 2007*
Cash flows from operating activities		
Student fees	$ 766,000	$ 693,977
Grants and contracts	405,897	389,542
Sales and services of educational activities	47,988	63,634
Auxiliary enterprise charges	315,580	336,318
Other operating receipts	165,802	166,716
Payments to employees	(1,526,190)	(1,427,753)
Payments to suppliers	(485,354)	(552,234)
Student financial aid	(112,375)	(98,850)
Student loans collected	9,411	12,376
Student loans issued	(14,613)	(15,630)
Net cash used in operating activities	**(427,854)**	**(431,904)**
Cash flows from noncapital financing activities		
State appropriations	570,194	543,414
Nonoperating grants and contracts	52,356	46,285
Gifts and grants received for other than capital purposes	77,206	71,362
Direct lending receipts	440,162	413,093
Direct lending payments	(440,948)	(412,808)
Net cash provided by noncapital financing activities	**698,970**	**661,346**
Cash flows from capital and related financing activities		
Capital appropriations	12,601	10,467
Capital grants and gifts received	47,340	2,208
Purchase of capital assets	(261,030)	(216,797)
Proceeds from issuance of capital debt, including refunding activity	289,754	85,000
Principal payments on capital debt, including refunding activity	(224,948)	(39,219)
Principal paid on capital leases	(1,760)	(2,158)
Interest paid on capital debt and leases	(36,249)	(33,823)
Net cash used in capital and related financing activities	**(174,292)**	**(194,322)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	2,239,333	1,805,801
Investment income	40,658	59,402
Purchase of investments	(2,186,095)	(1,993,213)
Net cash provided (used) by investing activities	**93,896**	**(128,010)**
Net increase (decrease) in cash and cash equivalents	**190,720**	**(92,890)**
Cash and cash equivalents, beginning of year	383,786	476,676
Cash and cash equivalents, end of year	$ 574,506	$ 383,786

See accompanying notes to the financial statements.

Indiana University
Statement of Cash Flows

(Continued from previous page)

Reconciliation of operating loss to net cash used in operating activities:
(in thousands of dollars)

	Fiscal Year Ended June 30, 2008	*Fiscal Year Ended June 30, 2007*
Operating loss	$ (564,743)	$ (531,722)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	116,683	111,860
Loss on disposal of capital assets	22,246	15,053
Changes in assets and liabilities:		
Accounts receivable	6,450	(4,583)
Inventories	6,158	1,410
Other assets	(804)	(7,042)
Notes receivable	(3,311)	(2,706)
Accounts payable and accrued liabilities	11,887	24,912
Deferred revenue	(29,370)	(39,789)
Assets held in custody for others	654	(276)
Other noncurrent liabilities	6,296	979
Net cash used in operating activities	**$ (427,854)**	**$ (431,904)**

See accompanying notes to the financial statements.

Note 1—Summary of Significant Accounting Policies

ORGANIZATION: Indiana University (university) is a state-supported institution that is fiscally responsible for operations and has students enrolled on seven campuses. Campuses are located in Bloomington, Indianapolis (IUPUI), Richmond (East), Kokomo, Gary (Northwest), South Bend, and New Albany (Southeast). The financial statements include the individual schools, colleges, and departments as part of the comprehensive reporting entity. The university was established by state legislative act, under Indiana Code Section IC 20-12-23, in 1838, changing the name of its predecessor, Indiana College, to Indiana University. The university's governing body, the Trustees of Indiana University (trustees), is comprised of nine members charged by the Indiana General Assembly with policy and decision-making authority to carry out the programs and missions of the university. Six of the members are appointed by the Governor of Indiana, and three are elected by university alumni. The university is classified as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Certain revenues of the university may be subject to federal income tax as unrelated business income, as defined in section 513 of the Internal Revenue Code. Note 16 describes an organization related to the university, the nature of the relationship and pertinent financial information of the organization.

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

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

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

REPORTING ENTITY: The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as required by GASB Statement No. 14, *The Financial Reporting Entity.* As additionally required by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* organizations that raise and hold economic resources for the direct benefit of the university are included in the reporting entity. The university evaluates potential component units for inclusion in the reporting entity based on these criteria.

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

The IU Foundation is a not-for-profit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the IU Foundation's financial information in the university's financial reporting to adjust for these differences. The IU Foundation distributed $145,815 and $87,133 to the university during fiscal years 2008 and 2007, respectively. Complete financial statements for the IU Foundation can be obtained from: Indiana University Foundation, Attn: Controller, PO Box 500, Bloomington, IN 47402.

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

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

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

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

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

COMPENSATED ABSENCES: Liabilities for compensated absences are recorded for vacation leave based on actual earned amounts for eligible employees who qualify for termination payments. Liabilities for sick leave are recorded for employees who are eligible for and have earned termination payments for accumulated sick days upon termination or retirement.

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

- *Invested in capital assets, net of related debt:* This component of net assets includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- *Restricted net assets—nonexpendable:* Nonexpendable restricted net assets are subject to externally imposed stipulations that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal. Such assets include permanent endowment funds.
- *Restricted net assets—expendable:* Restricted expendable net assets are resources the university is legally obligated to spend in accordance with externally imposed restrictions.
- *Unrestricted net assets:* Unrestricted net assets are not subject to externally imposed restrictions and are used for meeting expenses for academic and general operations of the university.

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

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS: In 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Statement establishes standards for the measurement, recognition, and display of postemployment benefits expenses and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers and is effective for the fiscal year ended June 30, 2008. Under the provisions of the statement, the university is required to recognize the cost of post employment benefits, provided separately from pension plans, over a period that approximates employees' years of service and to provide information about actuarial accrued liabilities associated with these benefits and whether and to what extent funding progress is being made.

In 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* In part, this statement establishes criteria that governments will use to ascertain whether proceeds received should be reported as revenue or as a liability when governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. Management has determined that these provisions of the statement have no material impact on the university's financial condition or results of operations. Statement No. 48 also requires that specific relevant disclosures be made to inform financial statement users about the unavailability of future revenues that have been pledged or sold. The university's requirement to make these disclosures is effective for the fiscal year ended June 30, 2008.

In 2007, GASB issued Statement No. 50, *Pensions and Disclosures – an Amendment of GASB Statements No. 25 and No. 27.* This statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The university implemented the provisions of this statement for the fiscal year ended June 30, 2008.

RECLASSIFICATIONS: Certain reclassifications have been made to the prior year statements to conform to the presentation used in the current year 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 $17,699 and $7,044 at June 30, 2008 and 2007, respectively. The university had balances in excess of Federal Deposit Insurance Corporation limits in the amount of $16,659 and $6,409 at June 30, 2008 and 2007, respectively. These balances, deposited in approved financial institutions and in excess of the limits of coverage by federal deposit insurance were covered by the Public Deposit Insurance Fund, created to protect the public funds of the State of Indiana and its political subdivisions. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university does not have a formal deposit policy for custodial credit risk.

(dollar amounts presented in thousands)

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.* This act requires the trustees to "invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." The trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the university's investment policy. The trustees have delegated the day-to-day responsibilities for overseeing the investment program to the Office of the Treasurer.

Endowments

Endowment funds typically have a very long investment horizon, and as appropriate, may be invested in asset classes with longer term risk/return characteristics, including, but not limited to stocks, bonds, real estate, private placements, and alternative investments. The Indiana University Endowments (endowments) are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation dated November 14, 2005, which delegated investment management responsibilities to the IU Foundation, subject to the university's investment policy. The trustees may, at their discretion, direct all or a portion of the endowment funds to other investments, exclusive of the IU Foundation's investment funds. Endowment assets may be invested in pooled funds or in direct investments, or a combination of the two. Assets will typically be diversified among high quality stocks and bonds. Additional asset classes may be included when it is reasonable to expect the additional asset class 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, 2008, all endowments held with the IU Foundation were invested in pooled funds.

At June 30, 2008 and 2007, the university had investments and deposits, including endowment funds, as shown below:

	Fair Value	
Investment Type	*June 30, 2008*	*June 30, 2007*
Money market funds	$ 602,183	$ 441,772
External investment pools	191,767	210,819
Government mortgage-backed securities	161,894	180,669
Corporate bonds	147,833	116,564
Nongovernment backed C.M.O.s	60,353	76,354
Asset-backed securities	49,611	72,612
Government bonds	48,339	57,437
Commercial mortgage-backed	46,021	42,198
Government agencies	17,430	29,612
Short-term bills and notes	17,284	-
Index-linked government bonds	4,408	5,847
Municipal/provincial bonds	3,344	6,566
Real estate	3,165	2,295
Venture capital	2,885	2,174
Mutual funds	2,013	1,591
Unit trust bonds	-	7,067
Government issued commercial mortgage-backed	-	3,007
All other	(48,304)	(73,588)
Total	**$ 1,310,226**	**$ 1,182,996**

(dollar amounts presented in thousands)

INVESTMENT CUSTODIAL RISK

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university manages custodial credit risk through the types of investments that are allowed by investment policy. The university's investments are not exposed to custodial credit risk and reflect either investment securities registered in the name of the university, investment securities loaned for collateral received, or other types of investments not exposed to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The university's policy for controlling its exposure to fair value losses arising from increasing interest rates is to constrain average portfolio duration within ranges of a target portfolio duration set for each portfolio of operating fund investments. The portfolios may seek to enhance returns by attempting to time movements of interest rates within the allowable ranges. The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund is invested in securities that typically mature within one year and the fixed income allocation includes securities with a duration benchmark index of +/- 1.5 years.

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

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

(dollar amounts presented in thousands)

The university had investments with the following maturities at June 30, 2007:

Investment Type	*Fair Value June 30, 2007*	*Investment Maturities (in years) Less than 1*	*1-5*	*6-10*	*More than 10*
Investments with a maturity date					
Government mortgage-backed securities	$ 180,669	$ 213	$ 3,305	$ 6,491	$170,660
Corporate bonds	116,564	12,041	51,667	26,634	26,222
Nongovernment backed C.M.O.s	76,354	541	1,248	1,007	73,558
Asset-backed securities	72,612	2,502	31,695	6,618	31,797
Government bonds	57,437	2,266	30,244	12,262	12,665
Commercial mortgage-backed	42,198	-	746	1,266	40,186
Government agencies	29,612	6,797	18,251	4,445	119
Unit Trust Bonds	7,067	-	-	-	7,067
Municipal/provincial bonds	6,566	-	976	988	4,602
Index-linked government bonds	5,847	-	217	2,284	3,346
Government issued commercial mortgage-backed	3,007	-	3,007	-	-
	$597,933	24,360	141,356	61,995	370,222
Investments with an undetermined maturity date					
Money market funds	441,772	441,772	-	-	-
External investment pools	210,819	210,819	-	-	-
Real estate	2,295	2,295	-	-	-
Venture capital	2,174	2,174	-	-	-
Mutual funds	1,591	1,591	-	-	-
All other	(73,588)	(73,588)	-	-	-
	585,063	585,063	-	-	-
Total	**$ 1,182,996**	**$ 609,423**	**$ 141,356**	**$ 61,995**	**$ 370,222**

CREDIT RISK

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

Endowments

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

(dollar amounts presented in thousands)

At June 30, 2008 and 2007, university investments had debt securities with associated credit ratings as shown below:

Credit Quality Rating	*Fair Value June 30, 2008*	*Percentage of Total Pool*	*Fair Value June 30, 2007*	*Percentage of Total Pool*
AAA	$ 350,716	26.77%	$ 462,627	39.10%
AA	24,548	1.87%	26,624	2.25%
A	33,530	2.56%	25,687	2.17%
BBB	52,232	3.99%	41,832	3.54%
BB	13,804	1.05%	13,683	1.16%
B	7,825	0.60%	8,946	0.76%
CCC	2,852	0.22%	1,276	0.11%
Not Rated	824,719	62.94%	602,321	50.91%
Total	$ 1,310,226	100.00%	$ 1,182,996	100.00%

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The university's investment policy requires that investments are to be diversified to the extent that the securities of any single issuer shall be limited to 5% of the market value in a particular manager's portfolio. U.S. Government and U.S. governmental agency securities are exempt from this policy requirement.

Endowments

The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund limit commercial paper, Certificates of Deposit, Bankers' Acceptances, and Repurchase Agreements to $10,000 per issuer and money market funds to $20,000 per fund. The Pooled Long-Term portfolio is diversified based on manager selection, investment style, and asset class to avoid any disproportionate risk related to any one industry or security.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's investments and deposits. The university's policy for controlling exposure to foreign currency risk is to constrain investments in non-U.S. dollar denominated debt to no more than 25% of an individual manager's portfolio, or as specified in each manager's guidelines. As of June 30, 2008 and June 30, 2007, the university's investments are not exposed to foreign currency risk.

Note 3—Securities Lending

State statutes and policy of the trustees permit the university to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The university's custodial bank manages the securities lending program and receives cash, U.S. government securities, or irrevocable letters of credit as collateral. Noncash collateral cannot be pledged or sold unless the borrower defaults. Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans," in which case the investment term matches the loan term. These loans can be terminated on demand by either lender or borrower. U.S. securities are lent versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Marking to market is performed every business day and the borrower is required to deliver additional collateral when necessary so that the total collateral held by the university will equal at least the fair value plus accrued interest of the borrowed securities. All security loans can be terminated on demand by either the university or the borrowers. Cash received as securities lending collateral was $77,920 and $97,985 at June 30, 2008 and 2007, respectively, and is recorded as an asset and corresponding liability on the university's Statement of Net Assets. The university had securities involved in loans with fair value of $76,085 and $96,133 at June 30, 2008 and 2007, respectively. Credit risk is calculated as the aggregate of the lender's exposure to individual borrowers or on individual loans. The university had no aggregate credit risk exposure in this program at June 30, 2008. However, although collateralized, the university would bear risk if the cash collateral is impaired.

(dollar amounts presented in thousands)

Note 4—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2008 and 2007:

	June 30, 2008	*June 30, 2007*
Student accounts	$ 34,391	$ 36,623
Auxiliary enterprises and other operating activities	52,471	48,352
State appropriations	11,924	24,096
Federal, state, and other grants and contracts	18,387	25,121
Capital appropriations and gifts	127	374
Other	5,725	5,256
Current accounts receivable, gross	**123,025**	**139,822**
Less allowance for uncollectible accounts	(8,995)	(8,952)
Current accounts receivable, net	**114,030**	**130,870**
Auxiliary enterprises and other operating activities	15,303	2,426
Noncurrent accounts receivable	**$ 15,303**	**$ 2,426**

Note 5—Notes and Pledges Receivable

Notes and pledges receivable consisted of the following at June 30, 2008 and 2007:

	June 30, 2008	*June 30, 2007*
Student loans receivable	77,563	73,778
Pledges receivable, net	8,929	8,618
Total notes and pledges receivable	**$86,492**	**$82,396**

During fiscal year 2003, the university entered into a lease purchase agreement with the IU Foundation to finance a portion of the cost of constructing and equipping the Biotechnology Research and Training Center maintained and operated by the university on the IUPUI campus (also see Note 11). Private funds held by the IU Foundation, solely for the use of the university, were used for related construction costs of $15,177. The IU Foundation transferred rights to the facility to the university through an unconditional promise to give the university use of the facility over a 20 year period. The university currently occupies and maintains the facility. This promise to give is reflected at net present value of $8,929 and $8,618 as a pledge receivable of the university at June 30, 2008 and 2007, respectively.

Note 6—Endowment Funds

Endowment funds are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation which delegates investment management responsibilities to the IU Foundation, subject to the university's investment policy. The trustees may, at their discretion, direct all or a portion of the university's endowment funds to other investments, exclusive of the IU Foundation's investment funds. The spending policy is to distribute 5% of the 12 quarter rolling average of pooled fund values. Indiana Code 30-2-12-9, *Uniform Management of Institutional Funds,* sets forth the provisions governing the expenditure of endowment fund appreciation, under which the trustees may authorize expenditure, consistent with donor intent.

Funds held in endowments, managed by the IU Foundation, are used to acquire pooled shares. The value of the pooled shares is determined each month on the basis of the total market value of pooled investments and the number of pooled shares outstanding. Income from pooled funds is distributed pro rata to each participating fund according to the number of pooled shares it holds. Fair value of the Indiana University Consolidated Fund totaled $144,072 and $159,708 at June 30, 2008 and 2007, respectively. Additional pooled funds totaled $40,693 and $44,451 at fair value at June 30, 2008 and 2007, respectively. The university holds investments in the Indiana Future Fund I, LLC, a coalition of institutional investors investing in regional and national venture capital funds to encourage direct investment in Indiana life sciences initiatives, which is administered by Credit Suisse Securities (USA), LLC. The investment in the Indiana Future Fund I, LLC totaled $2,885 and $2,174 at fair value at June 30, 2008 and 2007, respectively.

Additional endowment funds include the endowment fund for Riley Hospital for Children which is managed as an investment pool by the Riley Children's Foundation. The funds are invested in accordance with the Riley Children's Foundation investment policy. These funds are used to acquire pooled shares. The value of the pooled shares is determined each quarter on the basis of the total market value of the pooled investments and the number of pooled shares outstanding. Income is distributed pro rata to each participating fund according to the number of shares it holds. The funds totaled $6,217 and $6,659 at fair value at June 30, 2008 and 2007, respectively. The State of Indiana holds an endowment fund valued at $785 on behalf of the university. Income from this endowment is received and distributed on a yearly basis. Real estate held as endowments for investment purposes at June 30, 2008 and 2007, totaled $3,165 and $2,295, respectively, at fair value. Endowments of separately held stock had fair value of $44 and $42 at June 30, 2008 and 2007, respectively.

In addition, the university shares the income from a trust held by a major bank with Purdue University and the Indianapolis Center for Advanced Research. The fair value of the principal of this trust was $25,917 and $35,280 at June 30, 2008 and 2007, respectively. The trust principal is not included on the university's financial statements.

(dollar amounts presented in thousands)

Note 7—Capital Assets

Fiscal year ended June 30, 2008

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

(dollar amounts presented in thousands)

(Continued from previous page)

Fiscal year ended June 30, 2007

	Balance June 30, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Assets not being depreciated:					
Land	$ 47,453	$ 1,792	$ (82)	$ –	$ 49,163
Art & museum objects	65,599	269	–	–	65,868
Construction in progress	133,691	121,039	(37,914)	68	216,748
Total capital assets not being depreciated	246,743	123,100	(37,996)	68	331,779
Other capital assets:					
Infrastructure	134,810	5,699	546	–	141,055
Land improvements	18,203	2,373	282	–	20,858
Equipment	376,152	39,638	2,371	43,545	374,616
Library books	182,004	22,431	–	15,599	188,836
Buildings	2,253,649	27,381	34,797	7,179	2,308,648
Total other capital assets	2,964,818	97,522	37,996	66,323	3,034,013
Less accumulated depreciation:					
Infrastructure	107,078	3,571	–	–	110,649
Land improvements	4,558	995	–	–	5,553
Equipment	227,186	33,815	–	30,710	230,291
Library books	85,485	18,398	–	15,599	88,284
Buildings	947,594	55,081	–	5,111	997,564
Total accumulated depreciation, other capital assets	1,371,901	111,860	–	51,420	1,432,341
Capital assets, net	**$ 1,839,660**	**$108,762**	**$ –**	**$14,971**	**$1,933,451**

Note 8—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2008 and 2007:

	June 30, 2008	June 30, 2007
Accrued payroll	$ 18,923	$ 17,310
Accrual for compensated absences	36,308	37,317
Interest payable	19,658	18,648
Vendor and other payables	135,150	123,868
Total accounts payable and accrued liabilities	**$210,039**	**$197,143**

(dollar amounts presented in thousands)

Note 9—Noncurrent Liabilities

Noncurrent liability activity for the fiscal years ended June 30, 2008 and 2007 is summarized as follows:

Fiscal year ended June 30, 2008

	Balance June 30, 2007	*Additions*	*Reductions*	*Balance June 30, 2008*	*Current*
Bonds payable	$ 575,806	$ 286,840	$ 86,056	$ 776,590	$ 50,867
Notes payable	141,449	3,388	140,291	4,546	445
Capital lease obligations	11,512	830	1,760	10,582	1,518
Total bonds, notes, and capital leases payable	728,767	291,058	228,107	791,718	52,830
Other liabilities					
Deferred revenue	172,169	23,950	9,321	186,798	138,069
Assets held in custody for others	66,405	654	32	67,027	450
Compensated absences	48,679	22,493	20,804	50,368	36,308
Other	740	3,756	157	4,339	–
Total other liabilities	287,993	50,853	30,314	308,532	174,827
Total noncurrent liabilities	**$ 1,016,760**	**$341,911**	**$258,421**	**$1,100,250**	**$227,657**

Fiscal year ended June 30, 2007

	Balance June 30, 2006	*Additions*	*Reductions*	*Balance June 30, 2007*	*Current*
Bonds payable	$ 615,462	$ –	$ 39,656	$ 575,806	$ 40,908
Notes payable	56,602	85,000	153	141,449	159
Capital lease obligations	12,307	1,376	2,171	11,512	1,570
Total bonds, notes, and capital leases payable	684,371	86,376	41,980	728,767	42,637
Other liabilities					
Deferred revenue	211,958	–	39,789	172,169	147,391
Assets held in custody for others	65,889	516	–	66,405	482
Compensated absences	40,616	27,711	19,648	48,679	37,316
Other	1,045	–	305	740	–
Total other liabilities	319,508	28,227	59,742	287,993	185,189
Total noncurrent liabilities	**$1,003,879**	**$114,603**	**$101,722**	**$1,016,760**	**$227,826**

(dollar amounts presented in thousands)

Note 10—Bonds and Notes Payable

The university is authorized by acts of the Indiana General Assembly to issue bonds and notes for the purpose of financing construction of facilities that include academic and administrative facilities, athletic facilities, halls of music, health service facilities, research on the Bloomington and Indianapolis campuses, parking facilities, student housing, student union buildings, and energy savings projects. The outstanding bond and note indebtedness at June 30, 2008 and 2007, was $781,136 and $717,255, respectively. This indebtedness includes principal outstanding at June 30, 2008 and 2007, for bonds issued under Indiana Code 21-34-6 of $520,721 and $468,434, respectively, which have an additional accreted value of outstanding capital appreciation bonds associated with them of $56,094 and $62,790, as of February 1, 2008 and 2007, respectively. The outstanding bond issues include both serial and term bonds with maturities extending to June 1, 2038.

On a biennial basis, the Indiana General Assembly authorizes a specific state appropriation to the university for the purpose of reimbursing a portion of the debt service payments on bonds issued under Indiana Code 21-34-6 for certain academic facilities. Such academic facilities can include classrooms, libraries, laboratories, utility infrastructure, and other academic facilities as designated by the Indiana General Assembly. These specific state appropriations are referred to as "fee replacement" appropriations and are received from the State of Indiana on a semi-annual basis.

Indiana Code 21-32-2 permits the use of debt in the form of temporary borrowing in anticipation of future long-term borrowing for capital projects, when such long-term borrowing is authorized under other sections of the Indiana Code. The university has used tax-exempt commercial paper (TECP) programs to provide interim financing for certain capital projects and may continue to do so in the future. No TECP is outstanding as of June 30, 2008. However, a standby liquidity support agreement with JPMorgan Chase Bank, National Association is in place, which could be utilized in conjunction with future series of commercial paper notes. The liquidity support agreement has a stated expiration date of June 19, 2010 and is renewable, subject to the agreement of both parties.

As of June 30, 2008 and 2007, outstanding indebtedness from bonds and notes are shown in the following table:

Bonding Authority	*Interest Rates*	*Final Maturity-Years Ended June 30*	*Principal Outstanding At June 30, 2008*	*Principal Outstanding At June 30, 2007*
Indiana Code 21-34-6	3.25 to 7.25%	2033	$ 520,721	$ 468,434
Indiana Code 21-35-2	6.25%	2009	415	815
Indiana Code 21-35-3	3.00 to 5.80%	2038	231,735	97,179
Indiana Code 21-32-2			-	140,000
Indiana Code 21-34-10-7	3.64 to 4.49%	2018	4,546	1,449
Subtotal bonds and notes payable			$ 757,417	$ 707,877
Add unamortized bond premium			29,047	15,181
Less deferred charges			(5,328)	(5,803)
Total bonds and notes payable			**$ 781,136**	**$ 717,255**

(dollar amounts presented in thousands)

As of June 30, 2008, the university does not have any variable rate bonds or notes outstanding. Principal and interest requirements to maturity for bonds and notes are as follows:

Fiscal Year Ended June 30	*Bond Principal*	*Note Principal*	*Total Principal*	*Bond Interest*	*Note Interest*	*Total Interest*	*Total Payment*
2009	$ 49,405	$ 445	$ 49,850	$ 46,977	$ 188	$ 47,165	$ 97,015
2010	48,349	464	48,813	47,348	169	47,517	96,330
2011	49,018	484	49,502	45,852	149	46,001	95,503
2012	36,663	504	37,167	37,240	129	37,369	74,536
2013	36,645	525	37,170	31,065	108	31,173	68,343
2014-2018	210,981	2,124	213,105	121,428	219	121,647	334,752
2019-2023	170,055	-	170,055	55,529	-	55,529	225,584
2024-2028	110,165	-	110,165	23,222	-	23,222	133,387
2029-2033	31,100	-	31,100	6,566	-	6,566	37,666
2034-2038	10,490	-	10,490	1,625	-	1,625	12,115
Total	**$ 752,871**	**$ 4,546**	**$ 757,417**	**$ 416,852**	**$ 962**	**$ 417,814**	**$ 1,175,231**

In prior years, the university has defeased several bond issues either with cash or by issuing new debt. United States Treasury obligations or federal agency securities have been purchased in amounts sufficient to pay principal and interest payments when due, through maturity, and have been deposited in irrevocable trusts with trustees. Neither the defeased bonds nor the related trusts are reflected on the university's books. At June 30, 2008, Building Facilities Fee Bonds, Series M, defeased by the university on October 1, 1985, have principal outstanding of $5,255, with a final maturity of July 1, 2010. As of June 30, 2008, Student Fee Bonds, Series M, which were partially defeased on December 14, 2004, have principal outstanding of $10,420, with a final maturity of August 1, 2009. On June 20, 2006, the university partially defeased Student Fee Bonds Series L, Series M, and Series N, which as of June 30, 2008, have principal outstanding of $50,360 and have a final maturity of August 1, 2011.

On August 17, 2007, the university issued a tax-exempt energy savings project note in the amount of $1,528. The purpose of this note was to finance an energy savings project on the IU Kokomo campus. The note financing is structured as a junior (subordinate) lien on student fees. The repayment obligation over the term of the loan is to be paid from energy savings generated from the project. Annual energy savings resulting from the project is estimated to be approximately $228 per year and annual debt service will be $190 per year. The true interest cost for the note is 4.49%.

On February 7, 2008, the university issued Consolidated Revenue Bonds, Series 2008A with a par amount of $182,755. The purpose of the issue was to provide permanent financing for the Henderson Parking Garage and certain athletic facilities on the Bloomington campus, the Research Institute III and University Place Hotel on the IUPUI campus, and student housing facilities on the South Bend and Southeast campuses. The bonds also refunded certain portions of outstanding TECP, Series 2005 and 2007A notes, variable rate Student Residence System Bonds, Series 1998 and 2004A, and variable rate Facility Revenue Bonds, Series 2000. The true interest cost for the bonds is 4.15%. The variable rate Student Residence System and Facility Revenue bonds were refunded in order to lock in historically low fixed interest rates for the terms to maturity of those bonds and to convert bonds issued under the old revenue indentures to the new Consolidated Revenue Bond indenture.

On February 21, 2008, the university issued Student Fee Bonds, Series S in the par amount of $88,345. The purpose of the issue was to provide permanent financing for the Multi-Disciplinary Science Building Phase II, the Cyber

(dollar amounts presented in thousands)

Infrastructure Building-Data Center, and a portion of the Central Heating Plant Renovation on the Bloomington campus, a portion of the Campus Center on the IUPUI campus, the Fort Wayne Medical Education Building associated with the IUPUI School of Medicine on the Indiana University-Purdue University Fort Wayne (IPFW) campus, and certain land acquisitions on the South Bend campus. The bonds also refunded the balance of the outstanding TECP, Series 2005 and 2007A notes. The true interest cost for the bonds is 4.08%.

On June 26, 2008, the university issued a tax-exempt energy savings project note in the amount of $1,860. The purpose of this note was to provide permanent financing for an energy savings project on the Southeast campus. The note financing is structured as a junior (subordinate) lien on student fees. The repayment obligation over the term of the loan is to be paid from energy savings generated from the project. Annual energy savings resulting from the project is estimated to be approximately $256 per year and annual debt service will be $232 per year. The true interest cost for the note is 4.41%.

Note 11—Lease Obligations

The university leases certain facilities. Most of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs. Some leases are in substance lease-purchases and, as such, are recorded as capital lease obligations. The following schedule includes a lease-purchase agreement between the IU Foundation and the university which was securitized and sold as Certificates of Participation, Series 2003A, in April of 2003 in the amount of $10,830. The true interest cost for the entire certificate issue is 4.50%. The proceeds of the Series 2003A certificates were used to finance a portion of the cost of construction and equipping of the Biotechnology Research and Training Center on the IUPUI campus, and capitalized interest related to the construction.

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

	Capital	*Operating*
2009	$ 2,001	$ 10,660
2010	1,394	7,003
2011	1,071	6,874
2012	911	4,875
2013	852	3,219
2014-2018	4,235	14,252
2019-2023	3,799	10,995
2024-2028		1,650
Total future minimum payments	14,263	$ 59,528
Less: interest	(3,681)	
Present value of future principal outstanding	**$ 10,582**	

Note 12—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 $707 and $537 for health professions and nursing loan programs for fiscal years ended June 30, 2008 and 2007, respectively.

Liabilities at June 30, 2008 and 2007 for loan programs were as follows:

	June 30, 2008	*June 30, 2007*
Federal share of interest	$ 31,226	$ 30,395
Perkins loans	20,630	20,939
Health professions loans	14,047	13,855
Nursing loans	674	734
Assets held in custody for others	**$ 66,577**	**$ 65,923**

Note 13—Risk Management

The university is exposed to various risks of loss: torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of employees and their dependents. The university manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The university is self-insured for buildings and building contents for the first $100 with an additional $900 covered by OCIC per occurrence. The university is self-insured for comprehensive general liability and automobile liability for the first $100 with an additional $900 covered by OCIC and has supplementary commercial liability umbrella policies. The university has a malpractice and professional liability policy in the amount of $250 for each claim and $750 annually in aggregate provided by OCIC. The university is self-insured for the first $750 of any worker's compensation claim. Excess commercial coverage for up to $1,000 is in place for employer liability claims. Workers' compensation claims above $750 are subject to statutory limits.

The university has three health care plans for full-time appointed employees, two of which are 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 25% of the paid self-funded claims during the fiscal year, and totals $27,228 and $24,691 at June 30, 2008 and 2007, respectively. In addition, a potential claims fluctuation liability of $9,876 has also been recorded at June 30, 2008 and 2007.

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

Note 14—Retirement Plans

The university provided retirement plan coverage to 18,187 and 17,799 active employees, as of June 30, 2008 and 2007, respectively, in addition to contributing to the Federal Insurance Contributions Act (FICA) as required by law.

Indiana Public Employees' Retirement Fund

The university contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan with an annuity savings account provision. PERF administers multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. All support, technical, and service employees with at least a 50% full-time equivalent (FTE) appointment participate in the PERF plan. There were 6,950 and 6,916 active university employees covered by this retirement plan as of June 30, 2008 and 2007, respectively. State statutes (IC 5-10.2 and 5-10.3) 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 member. 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, 143 West Market Street, Indianapolis, IN 46204, by calling (317) 233-4162 or (888) 526-1687, or reviewing the Annual Report online at http://www.in.gov/perf.

Contributions made by the university totaled $19,607 and $17,623, for fiscal years ended June 30, 2008 and 2007, respectively. This represented a 6.3% and 5.5% university pension benefit contribution for fiscal years ended June 30, 2008 and 2007, respectively, and a 3% university contribution for the annuity savings account provisions each year.

(dollar amounts presented in thousands)

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 actuarial information represents the periods ended June 30, 2007 and 2006. The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. The amortization method and period are level dollar closed over 30 years. The actuarial funding method is entry age normal cost. The employer required contribution is determined using an asset smoothing method.

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

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

	Fiscal Year[1] Ended June 30, 2007	*Fiscal Year Ended June 30, 2006*
Annual required contribution	$ 12,287	$ 10,292
Interest on net pension obligation	(342)	(411)
Adjustment to annual required contribution	390	469
Annual pension cost	12,335	10,350
Contributions made	(10,809)	(9,399)
Increase in net pension obligation	1,526	951
Net pension obligation, beginning of year	(4,723)	(5,674)
Net pension obligation, end of year	**$ (3,197)**	**$ (4,723)**

[1]*Actuarial data for 2008 not available at the time of this report.*

Fiscal Year Ended	*Annual Pension Cost (APC)[2]*	*Percentage of APC Contributed*	*Net Pension Obligation*
June 30, 2005	$ 8,263	92%	(5,674)
June 30, 2006	10,350	91%	(4,723)
June 30, 2007	12,335	88%	(3,197)

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

Academic and Professional Staff Employees

Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This plan is a defined contribution plan under IRC Section 403(b) with four contribution levels. The university contributed $68,657 during fiscal year ended June 30, 2008, and $67,175 during fiscal year ended June 30, 2007, to TIAA-CREF for the IU Retirement Plan. The university contributed $17,675 during fiscal year ended June 30, 2008, and $15,302 during fiscal year ended June 30, 2007, to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,527 and 8,484 employees directed university contributions to TIAA-CREF as of June 30, 2008 and 2007, respectively. In addition, 3,195 and 2,785 employees directed university contributions to Fidelity Investments as of June 30, 2008 and 2007, respectively.

Furthermore, the university provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above. There were 1,300 and 1,367 active employees on June 30, 2008 and 2007, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP), a defined contribution plan in compliance with IRC Section 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The university contributed $1,299 and $2,994 to IUSERP during fiscal years ended June 30, 2008 and 2007, respectively. The same class of employees hired prior to January 1, 1989, are covered by the 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous university service. During the fiscal year ended June 30, 2008, the university made total payments of $33,997 to 416 individuals receiving 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2007, the university made total payments of $31,683 to 409 individuals receiving 18/20 Retirement Plan payments.

(dollar amounts presented in thousands)

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

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

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost

The university has established an early retirement plan for eligible employees to accommodate IRS requirements, and as authorized by the trustees. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2008 and 2007, 100 and 99 employees, respectively, were eligible to participate. University contributions to this plan totaled $937 and $1,832 for fiscal years ended June 30, 2008 and 2007, 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, 2007, for the fiscal year ended June 30, 2008, and prepared as of July 1, 2006, for the fiscal years ended June 30, 2007 and 2006.

	Fiscal Year Ended June 30, 2008	*Fiscal Year Ended June 30, 2007*	*Fiscal Year Ended June 30, 2006*
Cost of benefits earned during the year	$ 698	$ 985	$ 926
Amortization of unfunded actuarial accrued liabilities	170	727	727
Interest	69	120	116
Funding policy contribution	**$ 937**	**$1,832**	**$1,769**

The funded statuses of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2008, 2007, and 2006 are as follows:

Actuarial Valuation Date	*July 1, 2007*	*July 1, 2006*	*July 1, 2005*
Actuarial accrued liability (AAL)	$ 13,322	$ 11,685	$ 14,075
Actuarial valuation of plan assets	11,293	8,314	6,070
Unfunded actuarial liability	2,029	3,371	8,005
Actuarial value of assets as a percentage of (AAL) (funded ratio)	84.8%	71.1%	43.1%
Annual covered payroll	8,933	8,673	8,405
Ratio of unfunded actuarial liability to annual covered payroll	22.7%	38.9%	95.2%

Actuarial assumptions include an 8% asset rate of return and future salary increases of 3% compounded annually for the fiscal year ended June 30, 2008, and a 7% asset rate of return and future salary increases of 4% compounded annually for fiscal years ended June 30, 2007 and 2006. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

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

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

Note 15—Postemployment Benefits

Plan Description

In addition to providing pension benefits, the university provides certain postemployment benefits for retired employees. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the Plan) under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Plan is a single-employer defined benefit plan administered by Indiana University. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time university service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement, divided by five. The 18/20 Plan was adopted by the trustees. Indiana University provides medical care coverage to individuals with Indiana University retiree status and their dependents. The cost of the coverage is borne fully by the individual. However, the retirees participate in the same healthcare plan as current university employees, increasing the university's cost of providing coverage to current employees. The university provides retiree life insurance benefits in the amount of $6 to terminated employees with IU retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report.

Funding Policy

The contribution requirements of plan members and the university are established and may be amended by the trustees. 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 $512 in premiums in fiscal year ended June 30, 2007. The university contributed $43,882 to the consolidated OPEB Plan in fiscal year ended June 30, 2007.

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.

(dollar amounts presented in thousands)

The following table shows the university's annual OPEB cost for the year, the amount actually contributed to the plan, and the university's net OPEB obligation as provided by the actuarial results for the fiscal year ended June 30, 2007:

	Fiscal Year Ended June 30, 2007
Annual required contribution (ARC)/ Annual OPEB cost	$ 47,637
Less Employer contribution	43,882
Net OPEB obligation, June 30, 2007	**$ 3,755**
Percentage of annual OPEB cost contributed	**92.1%**

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

The projected unit credit cost method was used in the June 30, 2007, actuarial valuation. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on Indiana University's investments calculated based on the funded level of the plan at June 30, 2007, and an annual healthcare cost trend rate that ranges from 15.7 percent in 2008 to 4.5 percent in 2020. The rate includes a 3 percent inflation assumption. The UAAL is being amortized over 25 years using level dollar amounts on an open group basis.

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

Note 16—Related Organizations

In 1922 the Riley Children's Foundation presented the James Whitcomb Riley Hospital for Children to Indiana University. On May 2, 1996, the James Whitcomb Riley Hospital for Children separated from Indiana University to become part of Clarian Health Partners, Inc. The university has been a major beneficiary of this foundation. Riley Children's Foundation net assets were $241,452 and $225,378 at June 30, 2008 and 2007, respectively. Riley Children's Foundation net assets are not included in the financial statements of the university.

(dollar amounts presented in thousands)

Note 17—Functional Expenses

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

Fiscal year ended June 30, 2008

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

Fiscal year ended June 30, 2007

	Natural Classification						
Functional Classification	*Compensation & Benefits*	*Utilities*	*Supplies & Expenses*	*Scholarships & Fellowships*	*Depreciation*	*Travel*	*Total*
Instruction	$ 668,215	$ 94	$ 84,411	$ 9,584	$ –	$ 12,906	$ 775,210
Research	130,940	35	63,358	3,112	–	5,267	202,712
Public service	80,129	340	59,982	5,345	–	4,337	150,133
Academic support	142,688	31	43,117	1,241	–	4,298	191,375
Student services	52,091	5	13,426	541	–	1,206	67,269
Institutional support	159,357	161	45,446	559	–	2,926	208,449
Physical plant	47,487	49,047	33,812	–	–	134	130,480
Scholarships & fellowships	8,617	–	438	73,098	–	96	82,249
Auxiliary enterprises	166,344	2,696	125,513	4,581	–	5,061	304,195
Depreciation	–	–	–	–	111,860	–	111,860
Total operating expenses	**$ 1,455,868**	**$ 52,409**	**$ 469,503**	**$ 98,061**	**$ 111,860**	**$ 36,231**	**$ 2,223,932**

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)

Note 18—Segment Information

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

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

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

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

Condensed Statement of Net Assets	*Parking Operations*		*Housing Operations*	
	June 30, 2008	*June 30, 2007*	*June 30, 2008*	*June 30, 2007*
Assets				
Current assets	$ 21,479	$ 24,733	$ 44,857	$ 40,427
Capital assets, net	70,902	66,783	124,657	120,171
Total assets	**92,381**	**91,516**	**169,514**	**160,598**
Liabilities				
Current liabilities	5,134	5,420	7,231	4,891
Long-term liabilities	46,448	48,787	51,442	55,300
Total liabilities	**51,582**	**54,207**	**58,673**	**60,191**
Net assets				
Invested in capital assets, net of related debt	23,499	14,881	71,166	64,777
Unrestricted	17,300	22,428	39,675	35,630
Total net assets	**$ 40,799**	**$ 37,309**	**$ 110,841**	**$ 100,407**

(Continued on next page)

(dollar amounts presented in thousands)

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

	Parking Operations		Housing Operations	
	Fiscal Year Ended June 30, 2008	*Fiscal Year Ended June 30, 2007*	*Fiscal Year Ended June 30, 2008*	*Fiscal Year Ended June 30, 2007*
Operating revenues	$ 17,427	$ 17,530	$ 55,848	$ 51,409
Depreciation expense	(2,942)	(2,725)	(4,964)	(4,893)
Other operating expenses	(7,389)	(7,398)	(38,054)	(32,701)
Net operating income	7,096	7,407	12,830	13,815
Nonoperating revenues (expenses)				
Investment income	22	4	31	-
Interest expense	(2,018)	(2,393)	(2,357)	(2,398)
Increase in net assets	**5,100**	**5,018**	**10,504**	**11,417**
Net Assets				
Net assets, beginning of year	37,309	34,420	100,407	87,024
Net transfers	(1,610)	(2,129)	(70)	1,966
Net assets, end of year	**$ 40,799**	**$ 37,309**	**$ 110,841**	**$ 100,407**

Condensed Statement of Cash Flows

	Parking Operations		Housing Operations	
	Fiscal Year Ended June 30, 2008	*Fiscal Year Ended June 30, 2007*	*Fiscal Year Ended June 30, 2008*	*Fiscal Year Ended June 30, 2007*
Net cash provided (used) by:				
Operating activities	$ (112)	$ 3,931	$ 18,540	$ 20,818
Capital and related financing activities	(3,065)	1,752	6,504	6,792
Investing activities	22	4	(20,324)	(15,263)
Net increase (decrease) in cash	(3,155)	5,687	4,720	12,347
Beginning cash and cash equivalent balances	23,416	17,729	38,763	26,416
Ending cash and cash equivalent balances	**$ 20,261**	**$ 23,416**	**$ 43,483**	**$ 38,763**

Total revenue-backed debt for capital financing of housing and parking auxiliary activities is outstanding in the amount of $48,980 at June 30, 2008, with remaining terms of 2 to 21 years. Revenues of the activities are sufficient to meet the principal and interest requirements for the debt.

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

Note 19—Commitments and Loss Contingencies

Construction Projects

The university had outstanding commitments for capital construction projects of $156,046 and $130,151 at June 30, 2008 and 2007, respectively.

(dollar amounts presented in thousands)

Required Supplementary Information

Schedule of Funding Progress for IU Replacement Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
7/1/2007	$ 11,293	$ 13,322	$ 2,029	84.8%	$ 8,933	22.7%
7/1/2006	8,314	11,685	3,371	71.1%	8,673	38.9%
7/1/2005	6,070	14,075	8,005	43.1%	8,405	95.2%

Schedule of Funding Progress for Other Postemployment Benefit Plans:

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

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

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

Note 1 - Organization and Operations

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

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

Note 4 - Investments

Fair market value for a publicly traded security is based on the closing price for equity securities and the closing bid price for debt securities. Fair market value for non-publicly traded securities is computed based on the price earnings ratio, dividend discount model, or price to book analysis appropriately discounted due to illiquidity. Certain investments in the Foundation's alternative investment portfolio were valued by the respective fund managers using observable market inputs or unobservable inputs. It is possible that some percentage or all of these investments were valued using unobservable inputs. Such investments, which total $399,960,324 (19% of total assets at June 30, 2008), were valued by the Foundation based on values provided by the fund manager, adjusted as deemed appropriate by the Foundation. A summary of investments as of June 30, 2008 and 2007 follows:

2008

	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Common, preferred and international stocks	$ 27,700,930	$ 105,899,205	$ 2,160,395	$ 395,350,917	$ 9,981,504	$ 266,697,480
Fixed income	5,828,602	22,322,528	752,532	86,255,656	2,177,514	58,601,011
Cash equivalents	3,356,413	2,512,930	168,200	7,860,057	267,516	7,184,079
Alternative investments	18,276,404	67,189,134	552,244	128,930,018	8,426,472	274,760,897
Real estate	139,468	328,911	1,802,703	3,164,014	41,250	5,069,035
Mortgage securities	-0-	-0-	-0-	10,500	-0-	740,069
Total investments	$ 55,301,817	$ 198,252,708	$ 5,436,074	$ 621,571,162	$ 20,894,256	$ 613,052,571

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

	2007					
	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Common, preferred and international stocks	$ 44,984,941	$ 137,679,683	$ 2,812,345	$ 538,065,740	$ 11,733,218	$ 291,809,259
Fixed income	7,838,469	23,831,974	829,264	96,323,398	2,108,344	53,420,468
Cash equivalents	3,392,735	2,507,261	62,333	9,832,240	216,232	5,399,759
Alternative investments	14,807,335	52,918,218	455,708	98,356,143	6,815,313	209,441,610
Real estate	143,997	335,928	1,015,393	3,033,474	43,264	4,957,551
Mortgage securities	-0-	-0-	-0-	-0-	-0-	762,685
Total investments	$ 71,167,477	$ 217,273,064	$ 5,175,043	$ 745,610,995	$ 20,916,371	$ 565,791,332

Included in the underlying US Government and agency debt instruments are futures, forwards, and option contracts that are considered derivative financial instruments. The carrying values of these derivative financial instruments are adjusted to net fair market value as determined by the Foundation's investment manager. Significant open positions as of June 30, 2008 and 2007 are summarized as follows:

	2008		2007	
	Notional Par	Net Fair Market Asset (Liability) Value	Notional Par	Net Fair Market Asset (Liability) Value
Futures:				
US Treasury Notes and Bonds	$ (102,500,000)	$ (230,741)	$ (40,500,000)	$ 105,571
Eurodollars	246,000,000	144,250	1,204,000,000	(808,050)
90 Day Libor	2,500,000	(159,599)	18,500,000	(21,735)
Forwards:				
US Government Agencies	$ 28,000,000	$ 13,015	$ 10,502,289	$ 86,246

The gross and net credit risk associated with the related counterparties on these open futures and forwards positions is insignificant. The market risk for these futures and forwards is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest. The futures instruments required $860,890 and $1,276,447 in cash, and $3,801,429 and $1,610,468 of US Treasury Bills as collateral in a margin maintenance account as of June 30, 2008 and 2007, respectively. The related net gains generated were $5,523,320 and $797,280 for the years ended June 30, 2008 and 2007, respectively. Investment income including net gains (losses), net of outside investment management fees, for the years ended June 30, 2008 and 2007 consists of the following:

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

	2008				
		Temporarily Restricted		Permanently Restricted	
	Unrestricted	Foundation	University	Foundation	University
Dividend, interest and other investment income	$ 1,892,582	$ -0-	$ 11,338,434	$ -0-	$ -0-
Net realized and unrealized gains (losses) on	(11,414,079)	-0-	(75,229,661)	(23,237)	(35,204)
Outside investment management fees	(303,110)	-0-	(4,194,927)	-0-	-0-
Total investment income, including net gains (losses), net of outside investment management fees	$ (9,824,607)	$ -0-	$ (68,086,154)	$ (23,237)	$ (35,204)

	2007				
		Temporarily Restricted		Permanently Restricted	
	Unrestricted	Foundation	University	Foundation	University
Dividend, interest and other investment income	$ 1,925,392	$ -0-	$ 13,461,945	$ -0-	$ 1,000
Net realized and unrealized gains (losses) on investments	18,903,342	-0-	211,545,321	49,515	(52,228)
Outside investment management fees	(336,206)	-0-	(4,351,711)	-0-	-0-
Total investment income, including net gains (losses), net of outside investment management fees	$ 20,492,528	$ -0-	$ 220,655,555	$ 49,515	$ (51,228)

Investment securities, in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that change in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported on the Statement of Financial Position and in the Statement of Activities.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

Note 7 – 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, 2008 and 2007 are as follows:

2008

	Temporarily Restricted		Permanently Restricted	
	Foundation	University	Foundation	University
Foundation operations	$ 3,705,114	$ -0-	$ 21,180,690	$ -0-
University Programs:				
Awards	-0-	10,523,005	-0-	4,991,426
Capital and capital improvements	-0-	35,790,872	-0-	1,358,064
Fellowships/lectureships	-0-	33,753,155	-0-	64,785,025
General endowments	-0-	292,528,604	-0-	166,790,459
Medical practice plans	-0-	34,096,565	-0-	-0-
Professorships/chairs	-0-	155,481,897	-0-	194,716,578
Research	-0-	35,746,708	-0-	19,828,022
Scholarships	-0-	179,311,652	-0-	267,472,179
Operations	-0-	60,954,053	-0-	2,126,289
Total	$ 3,705,114	$ 838,186,511	$ 21,180,690	$ 722,068,042

2007

	Temporarily Restricted		Permanently Restricted	
	Foundation	University	Foundation	University
Foundation operations	$ 4,018,981	$ -0-	$ 21,238,921	$ -0-
University Programs:				
Awards	-0-	11,852,775	-0-	5,111,588
Capital and capital improvements	-0-	36,975,039	-0-	1,385,405
Fellowships/lectureships	-0-	41,267,309	-0-	59,190,288
General endowments	-0-	299,804,881	-0-	158,899,308
Medical practice plans	-0-	41,971,206	-0-	-0-
Professorships/chairs	-0-	181,203,263	-0-	192,090,423
Research	-0-	35,198,949	-0-	17,089,737
Scholarships	-0-	222,110,066	-0-	179,287,348
Operations	-0-	59,871,329	-0-	2,236,591
Total	$ 4,018,981	$ 930,254,817	$ 21,238,921	$ 615,290,688

Note 9 - Contingencies and Commitments

As described in Note 2 - Summary of Significant Accounting Policies, the Foundation assumes all risk associated with certain permanent endowment assets and the market and interest rate changes related to the Foundation's investment of these monies. For specific endowments where the market value has declined below the original gift corpus, the Foundation reports a decrease in its unrestricted net assets through a reduction in its investment in securities. This amount totals $6,065,552 and $67,665 as of June 30, 2008 and 2007, respectively. Subsequent recovery of investment market value will reduce previously accrued deficits, with unrestricted amounts reinstated first.

The Foundation has borrowed $48,706,845 and $55,048,541 of temporarily restricted University cash and cash equivalents as of June 30, 2008 and 2007, respectively, and has reported this interfund borrowing as "due to (from)" on the Statement of Financial Position. The Foundation assumes all risk associated with the composition of assets related to the Foundation's reinvestment of the temporarily restricted University monies. These borrowings were used to (1) acquire property, plant and equipment for the benefit of the University, (2) purchase investment securities, and (3) support on-going Foundation operations. Repayment of the borrowings is primarily dependent on the Foundation's ability to (1) generate future appreciation and income from investment securities, (2) receive future revenue from existing property leases arrangements with the University and (3) receive future unrestricted gifts. Management has currently developed initiatives to reduce such borrowings in the future and maintain an appropriate composition of assets to comply with all donor restrictions. However, further investment market value declines and reduced unrestricted giving could require additional borrowings to sustain the Foundation operations in the near term.

Interfund financing of $5,900,000 and $8,381,531 as of June 30, 2008 and 2007, respectively, represents amounts financed by the Foundation unrestricted net assets to the agency and temporarily restricted University net assets. The carrying value of interfund financing approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Interest rates are variable ranging from 3.8% to 6.0% and 6.0% to 6.3% as of June 30, 2008 and 2007, respectively.

The Foundation's alternative investments include investments in: (1) private equity such as venture capital and leveraged buyout funds; and (2) absolute return and inflation hedge strategies, including opportunistic real estate and natural resources. The Foundation's asset allocation policy allocates up to 50% in these types of investments. As of June 30, 2008 and 2007, the Foundation has entered into agreements with unfunded commitments of $225.2 million and $217.9 million, respectively. These commitments are expected to be fulfilled over the next three to five years.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

Note 10 - Program Expenditures

Program expenditures include support for Foundation and University programs. Foundation programs include: real estate, air transportation services, Student Foundation, cultural center, women's programs and other miscellaneous programs. These University related program expenditures primarily support "Grants and aid to the University" and "Endowment and capital additions." For the years ended June 30, 2008 and 2007, a summary of these expenditures follows:

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

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

		2007	
Program expenditures:	**Foundation**	**Unrestricted University***	**Total**
Foundation programs:			
Real estate	$ 2,465,974	$ -0-	$ 2,465,974
Air transportation services	1,401,629	-0-	1,401,629
Student Foundation	528,279	-0-	528,279
Cultural center	202,480	-0-	202,480
Women's programs	70,070	-0-	70,070
Miscellaneous	62,164	-0-	62,164
	4,730,596	-0-	4,730,596
Grants and aid to the University:			
Operating support:			
University support	2,983,384	32,656,325	35,639,709
Student scholarship and financial aid	144,650	22,727,353	22,872,003
Faculty support	7,960	11,386,243	11,394,203
Faculty research	-0-	10,182,458	10,182,458
	3,135,994	76,952,379	80,088,373
Endowment and capital additions:			
Land, building and equipment purchases	105,757	9,280,582	9,386,339
Library and art acquisitions	-0-	900,422	900,422
	105,757	10,181,004	10,286,761
Total program expenditures	$ 7,972,347	$ 87,133,383	$ 95,105,730

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

Note 11 - Related Party Transactions

In addition to amounts and transactions disclosed in the preceding notes and financial statements, the following is a summary of related party transactions. These transactions have been summarized below by financial statement classification as reported in the Statement of Activities. Related parties include affiliates, board of directors, management, and members of their immediate families.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2008 and 2007

Revenue and Support

Other Income

Included in unrestricted other income is direct support from the University for certain fundraising efforts as well as income from its program operations. For the years ended June 30, 2008 and 2007 the University reimbursed the Foundation for its direct support of the Matching the Promise Campaign general fund raising efforts in the amount of $505,297. As a part of the Foundation program operations, the Foundation received support from the University for the years ended June 30, 2008 and 2007, respectively, as follows: $4,416,868 and $5,264,951 of rental income for the lease of certain real estate; $1,251,102 and $1,245,009 for Telefund service fees related to its telephone fund raising operations; $991,950 and $1,070,036 for air transportation services; and $2,551,045 and $2,407,028 for management/administrative fees.

Contributions and Promises to Give

The Foundation includes related party contributions in the Statement of Activities and outstanding irrevocable promises to give in the Statement of Financial Position.

A summary of Contributions and Promises to Give as of and for the years ended June 30, 2008 and 2007 follows:

		2008		2007
Contributions	$	32,365,830	$	17,181,152
Promises to Give	$	55,610,617	$	50,454,088

Expenditures

Investment Management Fee and Investments

As of June 30, 2008 and 2007, respectively, the Foundation owns limited partnership interests of $23,488,660 and $13,261,352 where a related party is either a general or limited partner. Management fees are outlined in individual limited partnership agreements and range from 1% to 2.5% of the annual capital commitments.

Management and General Expenses

Included in management and general expenses are fees paid to related parties for legal, insurance and financial services. For the years ended June 30, 2008 and 2007, these services total $606,681 and $562,045, respectively.

Program Expenditures

The Foundation operates a program to acquire on behalf of, lease to, and/or grant real estate to the University. Included in university support are the net book values of properties granted to the University totaling $4,089,552 and $925,327 for the years ended June 30, 2008 and 2007, respectively. In addition, program costs include maintenance and repair, utilities, insurance and taxes. Income received by the Foundation related to these operations is recorded in other income.

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INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying basic financial statements of Indiana University, a component unit of the State of Indiana, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana University, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2008, on our consideration of Indiana University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

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

STATE BOARD OF ACCOUNTS

State Board of Accounts

October 16, 2008

Trustees and Administrative Officers of Indiana University

Additional Information

Additional copies of this report may be obtained from:

Office of the Vice President and Chief Financial Officer
Bryan Hall 204
Indiana University
Bloomington, IN 47405-7000
http://www.indiana.edu/~vpcfo/
PDF file of this report: http://www.indiana.edu/~vpcfo/doc/fy2008.pdf

For additional information:

General Information
Vice President for Public Affairs and Government Relations
Bryan Hall 300
107 S. Indiana Avenue
Bloomington, IN 47405-7000
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Financial Report
Associate Vice President and Executive Director
Financial Management Services
Poplars 519
Indiana University
Bloomington, IN 47405-3085
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http://www.iub.edu/athletic/

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

Acknowledgements

The following members of Financial Management Services prepared the *2007-08 Financial Report* and the included financial statements.

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

The following members of Financial Management Services assisted in the preparation of the *2007-08 Financial Report* and the included financial statements.

Sterling George, Director of Operations, Systems Administration, and Records Management
Christina Nikirk, Plant Fund Accountant
Jennifer George, Manager, Auxiliary Accounting
Phyllis Taylor, Senior Communications Specialist

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

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

Guide to the IU art works

Front Cover

Main image: IUPUI, *Arches of Herron,* James Wille Faust, Herron alumnus, 2005, painted aluminum

Top left to right:
IUSB, *Crossroads,* Harold "Tuck" Langland, 2003, bronze
IUK, *Phoenix Rising,* Edward Robert Hamilton, 1965, metal and fiberglass
IUN, campus wall water sculpture

Bottom Left to right:
IUPUI, *Arches of Herron,* James Wille Faust, Herron alumnus, 2005, painted aluminum
IUE, untitled, Patrick Caskey of Bright Ideas. Inc., 2001, stained glass
IUS, *Hope's Harbor,* Paul Fields, 1996, limestone
IUB, stained glass detail, 1908

Back cover

Top left to right:
IUE, rose bush sculpture /fountain, Bill Magaw, 1978, copper
IUN, *Ray* from "Shadows and Echoes" sculpture garden project, IU faculty Neil Goodman, 2006, metal
IPFW, *Mastodon Mascot,* 2004, James Farlow, Becky Teagarden, Dennis Becker and Research Casting International (Canada), bronze
IUB, *The Conductor,* Frank E. McKinney Jr. Fountain, 1997, brass

Lower left to right:
IUPUI, *DNA Tower,* Dale Chihuly, 2003, hand blown glass
IUB, *Indiana Arc,* Charles O. Perry, 1995, painted aluminum
IUPUI, IU seal, Riley Hospital, etched glass
IUB, *The Birth of Venus*, Robert Laurent, 1957-59, bronze

Interior pages

p. 4: IUSB, *Crossroads,* Harold "Tuck" Langland, 2003, bronze;
p. 5: IUB, window in Beck Chapel design by IUB faculty Rudy Pozzatti and constructed by Kelly Cunningham, 1991, glass
p. 5: IUPUI, *Arches of Herron,* James Wille Faust, Herron alumnus, 2005, painted aluminum
p. 6: IUB, *The Conductor,* part of the Frank E. McKinney Fountain, 1997, brass
p. 7: IUPUI, detail shot of *Herron Arches*
p. 7: IUSB, *Memory Though They Are Gone,* Harold "Tuck" Langland, 1999, bronze
p. 8: IUS, *Hope's Harbor,* 1996, Paul Fields, limestone
p. 9: IUB, *Herman B Wells,* IUSB professor Harold "Tuck" Langland, 1999-2000, bronze
p. 9: IUK, *Phoenix Rising,* Edward Robert Hamilton, 1965, metal and fiberglass
P. 9: IUPUI, Wood Memorial Plaza fountain, 1995, granite
p. 11: IUB , detail of Venus' face, *The Birth of Venus*, Robert Laurent, 1957-59, bronze
p. 11 IUSB, *Freedom,* Jon Pontius, former IUSB student, 1986, bronze
p. 14: IUN, *Infinito* from Shadows and Echoes sculpture garden project , IUN faculty Neil Goodman, 2006, metal
p. 15: IUPUI, *Job,* Judith Shea, 2005, bronze
p. 16: IUB, roof detail of the Rose Well House, 1908, glass
p.17: IUSB, *Ring Ribbons*, Harold "Tuck" Langland, 1973, corten steel
p. 43: IUPUI, *Richard and Annette Bloch Cancer Survivors Park*, Victor Salmones, 1996, bronze figures
p. 47: IUSB, *Adagio with Landscape*, 1980, Harold "Tuck" Langland, bronze relief

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Campus Abbreviations

IPFW: Fort Wayne; IUB: Bloomington; IUE: East (Richmond); IUK: Kokomo; IUPUI: Indianapolis; IUN: Northwest (Gary); IUSB: South Bend; IUS: Southeast (New Albany)

Photography of the art: Phyllis Taylor, and Dean Barrett, FMS; Allison Stankrauff and Susan Jacobs, IUSB; Chris Meyer, IU; and other photography courtesy of Indiana University.

Special thanks to the following artists, reference librarians and other IU resources system-wide in identifying the public art works shown in this report: Neil Goodman, art professor, IU Northwest; Rudy Pozzatti, art professor emeritus, IUB; Edward Thornburg, art curator, IU East ; Allison Harper Stankrauff, archivist and assistant librarian, IU South Bend; Sherry Rouse, curator, IU Risk Management; and Brad Cook, IU Archives.








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