New Issue **Ratings: Moody's: "Aa1"; S&P: "AA**
Book-Entry-Only **See "RATINGS"**

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

$88,345,000
THE TRUSTEES OF INDIANA UNIVERSITY
INDIANA UNIVERSITY STUDENT FEE BONDS
SERIES S

Dated: Date of delivery **Due: August 1 as shown below**

The Indiana University Student Fee Bonds, Series S (the "Series S Bonds"), will be issued by The Trustees of Indiana University (the "University") only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series S Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series S Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series S Bonds. The Series S Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Series S Bonds is payable on August 1, 2008, and on each February 1 and August 1 thereafter. Principal of and interest on the Series S Bonds, together with any premium thereon, will be paid directly to DTC by The Bank of New York Trust Company, N.A., Indianapolis, Indiana, as trustee (the "Trustee"), so long as DTC or its nominee is the registered owner of the Series S Bonds. The final disbursements of such payments to the Beneficial Owners of the Series S Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as described herein. See "DESCRIPTION OF SERIES S BONDS—Book-Entry-Only System."

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

The Series S Bonds are being issued pursuant to resolutions adopted by the Board of Trustees of the University on September 21, 2007, and by its Finance and Audit Committee on January 15, 2008, and a Trust Indenture dated as of October 1, 1985, as previously supplemented and amended, and as further supplemented by an Eighteenth Supplemental Indenture dated as of February 1, 2008 (collectively, the "Indenture"), between the University and the Trustee. The proceeds of the Series S Bonds will be used primarily to (a) finance or refinance a portion of the costs of the acquisition, construction or equipping of (i) a new campus center on the Indianapolis campus; (ii) a new cyber-infrastructure facility-data center on the Bloomington campus; (iii) a new multi-disciplinary science building on the Bloomington campus; (iv) a new medical education center on the Ft. Wayne campus; (v) renovations to the central heating plant on the Bloomington campus; and (vi) costs related to land acquisition on the South Bend campus; (b) refund certain outstanding tax exempt commercial paper notes; and (c) pay certain related costs. See "PLAN OF FINANCE."

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

Maturity Schedule

Principal Amount	Due August 1	Interest Rate	Price	CUSIP	Principal Amount	Due August 1	Interest Rate	Price	CUSIP
$3,015,000	2008	3.250%	100.704%	455167U95	$4,390,000	2019	5.000%	111.358%*	455167W51
2,900,000	2009	4.000	103.122	455167V29	4,615,000	2020	5.000	110.263*	455167W69
3,030,000	2010	4.000	104.162	455167V37	4,850,000	2021	5.000	109.450*	455167W77
3,150,000	2011	4.000	105.021	455167V45	5,095,000	2022	5.000	108.734*	455167W85
3,290,000	2012	5.000	109.834	455167V52	5,360,000	2023	5.000	108.023*	455167W93
3,445,000	2013	4.000	105.915	455167V60	5,625,000	2024	4.625	102.963*	455167X27
3,570,000	2014	3.250	101.688	455167V78	5,890,000	2025	4.625	102.201*	455167X35
2,630,000	2015	4.000	105.872	455167V94	6,170,000	2026	4.625	101.613*	455167X43
1,075,000	2015	5.000	112.472	455167V86	2,320,000	2027	4.750	102.650*	455167X50
3,855,000	2016	3.500	101.683	455167W28	1,065,000	2028	4.750	102.230*	455167X68
4,015,000	2017	5.000	112.744	455167W36	1,115,000	2029	4.750	101.812*	455167X76
4,205,000	2018	3.750	101.818	455167W44	1,170,000	2030	4.750	101.562*	455167X84

$2,500,000 4.500% Term Bonds maturing August 1, 2032 Price 97.820% CUSIP 455167X92

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

The Series S Bonds are being offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Ice Miller LLP, Indianapolis, Indiana, and the Law Office of Darla Y. Williams & Associates, PC, Indianapolis, Indiana, Co-Bond Counsel. Certain legal matters will be passed upon for the University by Dorothy J. Frapwell, Esq., Bloomington, Indiana, as Vice-President and General Counsel to the University, and for the Underwriters by their co-counsel, Barnes & Thornburg LLP, Indianapolis, Indiana, and Freeman-Wilson & Lewis-Shannon, L.L.C., Gary, Indiana, Indiana. It is expected that the Series S Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about February 21, 2008.

JPMORGAN **CITY SECURITIES CORPORATION**
Siebert Brandford Shank & Co., LLC **Lehman Brothers**

Date: February 8, 2008

* Priced to first par call date of August 1, 2018.

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

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

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

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

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

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OFFICIAL STATEMENT
relating to

$88,345,000

The Trustees of Indiana University
Indiana University Student Fee Bonds
Series S

INTRODUCTION

This Official Statement, including the cover page and the appendices, is furnished by The Trustees of Indiana University (the "University") to provide information concerning the offering of $88,345,000 aggregate principal amount of its Indiana University Student Fee Bonds, Series S (the "Series S Bonds").

University

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

Series S Bonds

The Series S Bonds are being issued by the University to provide funds to (a) finance or refinance a portion of the costs of the acquisition, construction and equipping of (i) a new campus center on the Indianapolis campus; (ii) a new cyber-infrastructure facility-data center on the Bloomington campus; (iii) a new multi-disciplinary science building on the Bloomington campus; (iv) a new medical education center on the Ft. Wayne campus; (v) renovations to the central heating plant on the Bloomington campus; and (vi) costs related to land acquisition on the South Bend campus (collectively, the "Projects"); (b) refund certain outstanding tax exempt commercial paper notes; and (c) pay certain related costs, including capitalized interest and costs of issuance. See "PLAN OF FINANCE."

The Series S Bonds are authorized pursuant to Indiana Code 21-34-6 through 21-34-10, each as amended (the "Act"). The Act empowers the University to sell bonds to (i) acquire, erect, construct, reconstruct, improve, rehabilitate, remodel, repair, complete, extend, enlarge, furnish, equip and operate certain buildings, structures, improvements or facilities necessary for carrying on the purposes of the University; and (ii) refund outstanding bonds, notes and other obligations issued pursuant to the Act or other applicable law for such buildings, structures, improvements or facilities. The Series S Bonds are being issued pursuant to resolutions adopted by the Board of Trustees of the University on September 21, 2007, and by its Finance and Audit Committee on January 15, 2008 (collectively, the "Resolutions"), and in accordance with the provisions of a Trust Indenture, dated as of October 1, 1985 (the "Original Indenture"), as previously supplemented and amended, and as further supplemented by an Eighteenth Supplemental Indenture dated as of February 1, 2008 (collectively, the "Indenture"), between the University and The Bank of New York Trust Company, N.A., Indianapolis, Indiana, as trustee (the "Trustee").

The Series S Bonds, together with $488,470,119 aggregate outstanding principal amount of Indiana University Student Fee Bonds (including the accreted value of certain outstanding capital appreciation bonds as of February 1, 2008), and any additional bonds hereafter issued on parity therewith (collectively, "Parity Bonds"), are limited obligations of the University, payable solely from and secured exclusively by a pledge of and parity first lien on certain pledged funds (the "Pledged Funds"), including: (i) all academic fees (including tuition), however denominated, assessed by the University against students attending Indiana University, except certain dedicated fees and other fees released from the lien of the Indenture (such academic fees, subject to such exceptions, the "Student Fees"); and (ii) to the extent provided in the Indenture, the funds created under the Indenture which are held by the Trustee, except that the Series S Bonds, together with the outstanding Series N Bonds, Series O Bonds, Series P, Series Q Bonds and Series R Bonds (each as defined in Appendix C), do not have any claim on the Reserve Fund (as defined in Appendix C) established under the Original Indenture or any other reserve fund. Additional Parity Bonds issued in the future may or may not have a claim on the Reserve Fund. See "SECURITY FOR SERIES S BONDS." The University may issue additional bonds under the Indenture ("Additional Bonds"), consisting of either Parity Bonds or bonds subordinated to Parity Bonds as to principal and interest repayment ("Subordinated Bonds"), which are payable out of Student Fees and other Pledged Funds (all obligations issued under the Indenture which are payable out of Student Fees and other Pledged Funds, including all Parity Bonds and any Subordinated Bonds, collectively, the "Bonds"). See "SECURITY FOR SERIES S BONDS—Issuance of Additional Bonds." **The Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the University or the State of Indiana (the "State"), except to the extent of the pledge of Student Fees and other Pledged Funds. See "SECURITY FOR SERIES S BONDS."**

Interest on the Series S Bonds will accrue from the date of delivery thereof, at the rates per annum set forth on the cover page of this Official Statement, and will be payable on August 1, 2008, and on each February 1 and August 1 thereafter. See "DESCRIPTION OF SERIES S BONDS—General."

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

Proposed Amendment. The University is seeking the consent of the original purchasers of the Series S Bonds to an amendment to the Indenture. See "SECURITY FOR SERIES S BONDS—No Reserve Fund; Proposed Amendment Affecting Outstanding Bonds—Proposed Amendment" and APPENDIX D, "SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Proposed Amendment." UPON ISSUANCE OF THE SERIES S BONDS, THE ORIGINAL PURCHASERS OF THE SERIES S BONDS WILL BE DEEMED TO HAVE CONSENTED TO THE PROPOSED AMENDMENT, AND SUCH CONSENTS BY THE HOLDERS OF THE SERIES S BONDS WILL BE INCLUDED IN THE DETERMINATION OF THE EFFECTIVE DATE WITH RESPECT TO THE PROPOSED AMENDMENT.

DESCRIPTION OF SERIES S BONDS

General

The Series S Bonds will be issued in the aggregate principal amount of $88,345,000 and will be dated and bear interest from the date of delivery thereof. Interest on the Series S Bonds will be payable in arrears on August 1, 2008, and on each February 1 and August 1 thereafter (each such date, an "Interest Payment Date") and at maturity, or upon earlier redemption. The Series S Bonds will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) at the rates and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. The Series S Bonds will be issued only in fully registered form in denominations of $5,000 or any integral multiple thereof.

The principal of and premium, if any, on each Series S Bond will be payable upon presentation and surrender thereof by the registered owners thereof (the "Bondholders") (such Bondholders being DTC or its nominee for so long as the Series S Bonds are held in book-entry-only form) at the Principal Operations Office of the Trustee. Interest on the Series S Bonds will be paid by check of the Trustee mailed on the business day prior to each Interest Payment Date to the Bondholders appearing on the registration books maintained by the Trustee as of the close of business on the fifteenth day of the month immediately preceding such Interest Payment Date (the "Record Date"). Bondholders of at least $1,000,000 in principal amount may, however, request in writing that such payment be made by ACH (as defined in Appendix C) or wire transfer, with settlement on such Interest Payment

Date, to an account located in the continental United States, which account is specified in writing prior to the Record Date for such Interest Payment Date, and upon compliance with the reasonable regulations of the Trustee. Any payment made by ACH or wire transfer which is not accepted by the receiving bank may be sent by check.

Each Series S Bond will bear interest from the Interest Payment Date next preceding its authentication date, unless (i) such authentication date is prior to the close of business on the Record Date preceding the first Interest Payment Date, in which case such Series S Bond will bear interest from the date of delivery thereof, (ii) such date of authentication is an Interest Payment Date to which interest on the Series S Bonds has been paid in full or duly provided for, in which case such Series S Bond will bear interest from such date of authentication; or (iii) such date of authentication is after the close of business on a Record Date and before the next Interest Payment Date, in which case such Series S Bond will bear interest from such Interest Payment Date. However, if interest on any Series S Bonds is in default, Series S Bonds issued in exchange for such Series S Bonds surrendered for transfer or exchange will bear interest from the last date to which interest has been paid in full on the Series S Bonds or, if no interest has been paid on the Series S Bonds, from the date of delivery thereof.

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

Redemption

Optional Redemption. The Series S Bonds maturing on or after August 1, 2019, are subject to redemption prior to maturity at the option of the University at any time on or after August 1, 2018, in whole or in part, in any order of maturity designated by the University (less than all of such Series S Bonds of a particular maturity to be selected by lot in such manner as may be designated by the Trustee), at a redemption price of 100% of the principal amount of each Series S Bond to be redeemed, plus accrued interest to the date of redemption.

Mandatory Redemption of Term Bonds. The Series S Bonds maturing on August 1, 2032 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts set forth below at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Term Bonds Due August 1, 2032

Mandatory Sinking Fund Redemption Date	Principal Amount
August 1, 2031	$1,220,000
August 1, 2032*	1,280,000

*Final Maturity

Not less than 45 days prior to the date set forth above, the Trustee will select, in the manner described below, the Term Bonds to be so redeemed and will promptly give notice of redemption as described below, which notice will state that Term Bonds are being redeemed by mandatory sinking fund redemption. Term Bonds which have been redeemed as described under "Optional Redemption" may be credited (at a price equal to 100% of the principal amount thereof) against the mandatory sinking fund redemption requirements for the Term Bonds in the order designated by the University.

Selection of Bonds to be Redeemed. For so long as the Series S Bonds are registered to DTC or its nominee, if less than all of the Series S Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. See "Book-Entry-Only

System." If the Series S Bonds are no longer registered to DTC or its nominee, the Trustee will select, in such a manner as in the Trustee's sole discretion it deems appropriate and fair, within each maturity of Series S Bonds to be redeemed, the Series S Bonds or portions of Series S Bonds of such maturity to be redeemed. If the owner of any such Series S Bond fails to present such Series S Bond to the Trustee for payment and exchange, such Series S Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the principal amount called for redemption. In case a Series S Bond of a denomination larger than $5,000 is to be redeemed, the principal amount not being redeemed must be in a denomination of $5,000 of any integral multiple thereof. Upon surrender of any Series S Bond for redemption in part only, the University will execute and the Trustee will authenticate and deliver to the registered owner thereof, at the expense of the University, a new Series S Bond or Series S Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series S Bond surrendered.

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

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

Release Concerning Redeemed Series S Bonds. If the amount necessary to redeem any Series S Bonds called for redemption has been deposited with the Trustee for that purpose on or before the date specified for such redemption, and if the notice of redemption has been duly given and all proper charges and expenses of the Trustee in connection with such redemption have been paid or provided for, the University will be released from all liability on such Series S Bonds, and such Series S Bonds will no longer be deemed to be outstanding under the Indenture. Thereafter, such Series S Bonds will not be secured by the lien of the Indenture, and the holders thereof must look only to the Trustee for payment thereof.

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

Registration, Transfer and Exchange

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

The owner of any Series S Bonds (such owner being DTC or its nominee, for so long as the Series S Bonds are held in book-entry-only form) may transfer or exchange such Series S Bonds by surrendering such Series S

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

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

Book-Entry-Only System

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series S Bonds. The Series S Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series S Bond certificate will be issued for each maturity of the Series S Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series S Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series S Bonds, such as defaults and proposed amendments, to the security documents. For example, Beneficial Owners of Series S Bonds may wish to ascertain that the nominee holding the Series S Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series S Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series S Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series S Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the University or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the Series S Bonds are shown below:

Sources of Funds	
Principal Amount of Series S Bonds	$88,345,000
Net Original Issue Premium	4,695,759
Commercial Paper Proceeds	45,323,690
University Funds on Hand	5,779,262
Total Sources	$144,143,711
Uses of Funds	
Financing of Projects	$52,282,900
Refunding of Commercial Paper[1]	45,979,823
Project Costs funded from Commercial Paper Proceeds	45,323,690
Costs of Issuance[2]	557,298
Total Uses	$144,143,711

1 To be used to repay the outstanding commercial paper on February 28, 2008.
2 Including underwriters' discount, legal fees and expenses, printing expenses, Trustee fees and expenses, and other expenses.

PLAN OF FINANCE

The Series S Bonds are being issued for the principal purpose of providing funds to (a) finance and refinance the acquisition, construction or equipping of (i) a new campus center on the Indianapolis campus; (ii) a new cyber-infrastructure facility-data center on the Bloomington campus; (iii) a new multi-disciplinary science building on the Bloomington campus; (iv) a new medical education center on the Ft. Wayne campus; (v) renovations to the central heating plant on the Bloomington campus and (vi) costs related to land acquisition on the South Bend campus; (b) refund a portion of its Tax Exempt Commercial Paper, Series 2005, and 2007 Tax Exempt Commercial Paper, Series A (see "CAPITAL PROGRAM AND ADDITIONAL FINANCING—General"); and (c) pay certain related costs.

Projects

Campus Center – Indianapolis Campus. The Campus Center will become the center of the Indianapolis campus, serving many different populations including: students, faculty, staff, patients, campus visitors, and community groups. It will house student services and student activity functions, including a bookstore, credit union, post office, travel agency, food court and other similar auxiliary services and activities often found in student union-type facilities. The Campus Center will also provide support space for campus academic and administrative organizations. The Campus Center has an estimated cost of $50,000,000, of which approximately $20,000,000 will be funded by the Series S Bonds, $25,000,000 has already been funded through the issuance of the Series R Bonds, and $5,000,000 will be funded by campus reserves.

Cyber-Infrastructure Building-Data Center – Bloomington Campus. The Cyber Infrastructure Building - Data Center will be a hardened structure that will accommodate the data center and machine room for the Cyber Infrastructure Building. The project is estimated to cost $32,700,000 and will be financed by approximately $18,300,000 of Series S Bonds, $8,400,000 of Infrastructure Reserves, and $6,000,000 of Capital Projects/Land Acquisition Reserves.

Multi-Disciplinary Science Building – Bloomington Campus. . The Multi-Disciplinary Science Building - Phase II project will contain laboratories, common support facilities, faculty and staff offices and meeting space. This facility will expand the University's research capacity in neuroscience and brain imaging, atmospheric science, contaminant chemistry and biogeochemistry. The project is estimated to cost $51,681,000 and will be financed by $31,872,000 of Series S Bonds, $14,609,000 in gifts and grants and $5,200,000 from Capital Projects/Land Acquisition Reserves.

Medical Education Center – Ft. Wayne Campus. The Medical Education Center will house an Indiana University School of Medicine facility, construction of which will include modern classrooms, student labs, student study space, and faculty research laboratories along with space for administrative staff. The Medical Education Center is estimated to cost $12,000,000 and will be funded through the Series S Bonds.

Central Heating Plant Renovation – Bloomington Campus. This project will upgrade the existing Central Heating Plant to conform with new emissions requirements. The project includes costs of construction, renovation, equipment and other related project components. The Central Heating Plant Renovation has an estimated cost of $34,054,530. In conjunction with the renovation project, the State also authorized the construction of a new Service Building, which was completed at an approximate cost of $7,000,000. The total Central Heating Plant Renovation related costs are estimated to be approximately $41,054,530, of which $27,000,000 has already been funded through the issuance of the Series R Bonds and $14,054,530 will be funded through the issuance of the Series S Bonds.

Land Acquisition - South Bend Campus. The South Bend Land Acquisition project will purchase properties adjacent to the campus and which are within the campus master plan area. The properties include single-family homes and outbuildings near the South Bend campus. The structures will be either rented or razed in a manner consistent with planned campus and facility development. The purchase authorization is $2,000,000 of which $1,380,060 is being utilized at this time. These purchases will be financed through the Series S Bonds.

SECURITY FOR SERIES S BONDS

The Series S Bonds are limited obligations of the University, payable solely from and secured exclusively by a pledge of and parity first lien on the Pledged Funds, including: (i) Student Fees and (ii) to the extent provided in the Indenture, the funds created under the Indenture which are held by the Trustee, except that the Series S Bonds, together with the outstanding Series N Bonds, Series O Bonds, Series P Bonds, Series Q Bonds and Series R Bonds, do not have any claim on the Reserve Fund or any other reserve fund. Additional Parity Bonds issued in the future may or may not have a claim on the Reserve Fund. Proceeds from the Series S Bonds to be used to finance the acquisition, construction, renovation and equipping of the Projects are not held by the Trustee under the Indenture and thus do not constitute Pledged Funds under the Indenture. The Series S Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the University or the State of Indiana, except to the extent of the pledge of Student Fees and the other Pledged Funds. See Appendix D, "SUMMARY OF CERTAIN PROVISIONS OF INDENTURE."

The pledge of Student Fees and other Pledged Funds as security for the payment of the Series S Bonds is of equal standing and priority of lien with the pledge of Student Fees and other Pledged Funds (except that the Series S Bonds, together with the outstanding Series N Bonds, Series O Bonds, Series P Bonds, Series Q Bonds and Series R Bonds, do not have any claim on the Reserve Fund or any other reserve fund) for the following outstanding obligations of the University payable from Student Fees:

Obligations	Dated Date	Final Maturity [1]	Original Amount Issued	Amount Outstanding as of February 1, 2008 [2]
Series H	June 27, 1991	August 1, 2009	$ 159,454,364	$ 33,841,133
Series I	July 15, 1992 [3]	August 1, 2017	45,214,686	18,676,491
Series J	March 1, 1993 [3]	August 1, 2018	113,057,592	18,336,901
Series K	August 1, 1995 [3]	August 1, 2020	166,268,906	29,230,594
Series L	April 1, 1998	August 1, 2017	50,070,000	4,940,000
Series M	November 15, 1999	August 1, 2018	47,950,000	4,805,000
Series N	June 1, 2001	August 1, 2020	103,880,000	26,120,000
Series O	March 6, 2003	August 1, 2022	111,490,000	102,330,000
Series P	December 14, 2004	August 1, 2026	93,920,000	90,415,000
Series Q	June 20, 2006	August 1, 2026	32,895,000	31,855,000
Series R	June 20, 2006	August 1, 2031	129,150,000	127,920,000
TOTAL			$1,053,350,548	$488,470,119

1 Reflects the date that any outstanding Bonds will mature or be redeemed.
2 Includes accreted value of capital appreciation bonds as of February 1, 2008.
3 Dated date for certain capital appreciation bonds issued as a part of these series may be different.

Student Fees

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

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

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

No Reserve Fund; Proposed Amendment Affecting Outstanding Bonds

Reserve Fund Not Available for Series S Bonds. The Series S Bonds will have no claim on the Reserve Fund or any other reserve fund. Moneys on deposit in the Reserve Fund will not be available for the payment of the principal of or premium, if any, or interest on the Series S Bonds. The Reserve Fund is currently available, as needed, solely for the payment of Parity Bonds currently Outstanding (excluding the outstanding Series N Bonds, Series O Bonds, Series P Bonds, Series Q Bonds and Series R Bonds and the Series S Bonds to be issued) and Parity Bonds hereafter issued, but only if so provided in the Supplemental Indenture pursuant to which such Parity Bonds are hereafter issued.

Proposed Amendment. Upon issuance of the Series S Bonds, the original purchasers of the Series S Bonds will be deemed to have consented to an amendment to the Indenture. Upon the effective date of such amendment, notwithstanding any other terms of the Indenture, there would be no Reserve Fund Requirement (as defined in Appendix C) for any Bonds and no Bonds would have any claim on the Reserve Fund, except to the extent specifically provided in the Supplemental Indenture pursuant to which such Bonds are issued.

For a further discussion of this proposed amendment, see Appendix D, "SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Proposed Amendment."

Fee Covenant

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

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

(b) the amount, if any, to be paid into the Reserve Fund or to be paid to the provider of a Reserve Fund Credit Instrument (as defined in Appendix C) with respect to such Fiscal Year; and

(c) any other amounts to be paid from Student Fees with respect to such Fiscal Year in accordance with the Indenture.

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

Issuance of Additional Bonds

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

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

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

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

DEBT SERVICE COVERAGE

The following debt service coverage summary is based on Available Student Fees (as hereinafter defined) for the Fiscal Year ended June 30, 2007, and an estimate of Available Student Fees for the Fiscal Year ending June 30, 2008, and the Maximum Annual Debt Service on the Bonds, including the Series S Bonds.

	Year ended June 30	
	Actual 2007	**Estimated 2008**
Available Student Fees (in thousands)[1]	$691,826	$723,429
Coverage on Maximum Annual Debt Service[2]	9.02 times	9.43 times

1 See Appendix A "INDIANA UNIVERSITY—Mandatory Fees—Student Fee Revenues" and "—Budgeting Procedures." "Available Student Fees" represents Student Fees, less scholarship allowance and certain dedicated fees.

2 Maximum Annual Debt Service on the Bonds after the issuance of the Series S Bonds will be $76,721,062 in Fiscal Year 2009. Under the Indenture, the University may issue any Parity Bonds if actual Student Fees during the preceding Fiscal Year are at least two times Maximum Annual Debt Service on such Parity Bonds and all other outstanding Parity Bonds. See "SECURITY FOR SERIES S BONDS—Issuance of Additional Bonds."

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each respective fiscal year ending June 30, the Annual Debt Service Requirements (excluding capitalized interest) for the Student Fee Bonds payable by the University.

Fiscal Year Ending June 30	Outstanding Debt Service	Series S Bonds Principal	Series S Bonds Interest	Total Debt Service
2009	$ 70,027,256	$ 3,015,000	$ 3,678,805	$ 76,721,061
2010	69,922,037	2,900,000	3,791,094	76,613,131
2011	68,891,856	3,030,000	3,672,494	75,594,350
2012	47,923,669	3,150,000	3,548,894	54,622,563
2013	41,537,781	3,290,000	3,403,644	48,231,425
2014	41,546,444	3,445,000	3,252,494	48,243,938
2015	41,543,688	3,570,000	3,125,581	48,239,269
2016	41,535,681	3,705,000	2,988,094	48,228,775
2017	41,533,281	3,855,000	2,841,157	48,229,438
2018	41,540,587	4,015,000	2,673,319	48,228,906
2019	32,477,231	4,205,000	2,494,100	39,176,331
2020	26,536,267	4,390,000	2,305,506	33,231,773
2021	26,539,710	4,615,000	2,080,381	33,235,091
2022	15,571,324	4,850,000	1,843,756	22,265,080
2023	15,563,238	5,095,000	1,595,131	22,253,369
2024	9,785,520	5,360,000	1,333,756	16,479,276
2025	9,781,289	5,625,000	1,069,678	16,475,967
2026	7,510,005	5,890,000	803,394	14,203,399
2027	7,509,889	6,170,000	524,506	14,204,395
2028	1,038,550	2,320,000	326,725	3,685,275
2029	1,032,819	1,065,000	246,331	2,344,150
2030	1,030,306	1,115,000	194,556	2,339,862
2031	1,030,775	1,170,000	140,288	2,341,063
2032	1,033,988	1,220,000	85,050	2,339,038
2033	0	1,280,000	28,800	1,308,800
Total	$662,443,191	$88,345,000	$48,047,534	$798,835,725

CAPITAL PROGRAM AND ADDITIONAL FINANCING

General

The University has an ongoing capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects have historically been funded from a variety of sources, including gifts, state appropriations, debt financing and University reserve funds.

With respect to the 1999-2001 biennium, the Indiana General Assembly granted the University the authority to issue approximately $70,700,000 of student fee bonds, $60,200,000 of which have been issued and $10,500,000 of which remain authorized but unissued. With respect to the 2001-2003 biennium, the Indiana General Assembly granted the University the authority to issue approximately $90,200,000 of student fee bonds, $79,700,000 of which have been issued and $10,500,000 of which remain authorized but unissued. With respect to the 2003-2005 biennium, the Indiana General Assembly granted the University the authority to issue (i) approximately $96,200,000 of student fee bonds subject to Fee Replacement, $48,300,000 of which have been issued and $47,900,000 of which remain authorized but unissued, of which $45,300,000 will be issued as part of the Series S Bonds, and (ii) approximately $40,000,000 of student fee bonds not subject to Fee Replacement, $15,000,000 of which have been issued and $25,000,000 of which remain authorized but unissued, of which $20,000,000 will be issued as part of the Series S Bonds. With respect to the 2005-2007 biennium, the Indiana

General Assembly granted the University the authority to issue (i) approximately $45,000,000 of student fee bonds subject to Fee Replacement, $27,000,000 of which have been issued and $14,100,000 of which will be issued as part of the Series S Bonds, and (ii) approximately $31,200,000 of revenue bonds for the purchase and renovation of the University Place Hotel in Indianapolis, of which $31,000,000 will be issued with Consolidated Revenue Bonds, Series 2008A, which is scheduled to close on February 7, 2008. With respect to the 2007-2009 biennium, the Indiana General Assembly granted the University the authority to issue (i) approximately $66,300,000 of student fee bonds subject to Fee Replacement, of which $18,300,000 will be issued as part of the Series S Bonds, and $48,000,000 will remain unissued, and (ii) $45,000,000 of revenue bonds not subject to Fee Replacement, all of which will be issued with Consolidated Revenue Bonds, Series 2008A. The timing of construction and borrowing for the remaining projects is uncertain at this time.

The University currently has tax-exempt commercial paper notes outstanding in the amount of $140,000,000, all of which will be refunded with the Consolidated Revenue Bonds Series 2008A, and the Series S Bonds. The University has used its tax-exempt commercial paper programs to provide interim financing for certain capital projects and may continue to do so in the future.

The University is currently in the planning or construction stages of two energy savings projects for which financing does not require General Assembly approval.

State Appropriations to University

The University receives a major portion of required funding for its educational and research activities from Student Fees, the federal government and the State of Indiana. With respect to the State, the University has annually received, and anticipates continued receipt of, appropriations from the Indiana General Assembly to be applied to the educational and general expenditures of the University, as well as appropriations for capital construction. See Appendix B, "FINANCIAL REPORT OF THE UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007—Indiana University Management's Discussion and Analysis."

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

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

Some (but not all) of the Projects to be financed out of proceeds of the Series S Bonds, as described above in "PLAN OF FINANCE—Projects," and some (but not all) of the projects previously financed with the Outstanding Bonds, have been designated by the Indiana General Assembly as eligible for Fee Replacement Appropriations.

All of the Bonds, including the Series S Bonds, are payable solely from and secured exclusively by Student Fees and other Pledged Funds (excepting the Reserve Fund with respect to the outstanding Series N Bonds, Series O Bonds, Series P Bonds, Series Q Bonds and Series R Bonds and the Series S Bonds to be issued), irrespective of whether the particular projects financed out of the proceeds of such Bonds are eligible for Fee Replacement Appropriations. Further, none of the Bonds are secured by any pledge of Fee Replacement Appropriations.

INDIANA UNIVERSITY

General

The Indiana University system includes eight campuses with core campuses located in Bloomington and Indianapolis, and with other campuses located in Gary, South Bend, Fort Wayne, Kokomo, Richmond, and New Albany. Indiana University is fully accredited in all of its departments and divisions by the North Central Association of Colleges and Schools. Each professional school holds full accreditation from its respective professional association. Indiana University is a member of the American Council of Education and the Association of American Universities. See Appendix A, "INDIANA UNIVERSITY."

Certain Financial and Operating Information

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

Forward Looking Statements

This Official Statement, and particularly certain information contained under the captions "PLAN OF FINANCE," "DEBT SERVICE COVERAGE," "CAPITAL PROGRAM AND ADDITIONAL FINANCING," Appendix A—"Student Enrollment," Appendix A—"State Appropriations to the University," and Appendix B—"Management Discussion and Analysis" contain "forward looking statements" based on current expectations, estimates, forecasts and projections about and assumptions made by the University. These forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," and "seeks" or the negatives of such terms or other variations on such terms or comparable terminology. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially. These risks and uncertainties include demographic changes, demand for higher education services and other services of the University, competition with other higher education institutions and general domestic economic conditions including economic conditions of the State of Indiana. The University disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

TAX MATTERS

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

The Code imposes certain requirements which must be met subsequent to the issuance of the Series S Bonds as a condition to the exclusion from gross income of interest on the Series S Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series S Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series S Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series S Bonds would be materially and adversely affected.

The University will covenant to not take any action nor fail to take any action, within its power and control, with respect to the Series S Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series S Bonds under Section 103 of the Code (collectively, the "Tax

Covenants"). The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series S Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if interest on the Series S Bonds is not excludable from gross income for federal income tax purposes or otherwise under any provisions of the Code that is not in effect on the issue date of the Series S Bonds.

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

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

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

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

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

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Series S Bonds maturing on August 1, 2032 (the "Discount Bonds"), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds, will be treated as "original issue discount." The original issue discount on each Discount Bond is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or longer period from the date of the original issue) ending on February 1 and August 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

AMORTIZABLE BOND PREMIUM

The initial offering price of the Series S Bonds maturing on or before August 1, 2030 (collectively, the "Premium Bonds"), is greater than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

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

ENFORCEABILITY OF RIGHTS AND REMEDIES

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

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

LITIGATION

At the time of delivery of the Series S Bonds, the University will certify that there is no litigation or other proceeding pending or, to the University's knowledge, threatened, in any court, agency or other administrative body (i) restraining or contesting the issuance of the Series S Bonds or the pledging of the Pledged Funds, including the Student Fees, (ii) in any way affecting the validity of any provision of the Series S Bonds, the Resolutions or the Indenture, or (iii) except as may be disclosed in the audited financial statements of the University for the fiscal year ended June 30, 2007, attached as Appendix B hereto, that would have a material adverse impact on the University's financial condition or ability to pay the principal of and the interest on the Series S Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Credit Market Services ("Standard & Poor's") have assigned long term ratings of "Aa1" and "AA," respectively, to the Series S Bonds. These ratings reflect only the views of Moody's and Standard & Poor's, and an explanation of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10009, and from Standard & Poor's at 55 Water Street, New York, New York 10041. The ratings are not a recommendation to buy, sell or hold the Series S Bonds. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's or Standard & Poor's if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price or marketability of the Series S Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series S Bonds are subject to the approval of Ice Miller LLP, Indianapolis, Indiana, and the Law Office of Darla Y. Williams & Associates, PC, Indianapolis, Indiana, Co-Bond Counsel. The form of approving opinion of Co-Bond Counsel with respect to the Series S Bonds is attached hereto as Appendix E. Certain legal matters will be passed upon for the University by Dorothy J. Frapwell, Esquire, Bloomington, Indiana, as counsel to the University, and for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana, and Freeman-Wilson & Lewis-Shannon, L.L.C., Gary, Indiana, as co-counsel to the Underwriters.

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

UNDERWRITING

The Underwriters have jointly and severally agreed to purchase the Series S Bonds from the University at an aggregate underwriter's discount of $416,794.08 from the initial public offering prices set forth or reflected on the cover page of this Official Statement. J.P. Morgan Securities Inc. has acted as representative of the Underwriters. The obligations of the Underwriters to purchase the Series S Bonds are subject to certain conditions precedent to closing, and the Underwriters will be obligated to purchase all of the Series S Bonds if any Series S Bonds are purchased. The Underwriters have agreed to make a bona fide public offering of all the Series S Bonds at prices not in excess of the initial public offering prices set forth or reflected on the cover page of this Official Statement. The Series S Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such Series S Bonds into investment trusts) at prices lower than such public offering prices and, after completion of the initial bona fide public offering, such public offering prices may be changed, from time to time, by the Underwriters.

CONTINUING DISCLOSURE

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission (the "SEC") in SEC Rule 15c2-12, as amended (the "Rule"), the University will enter into a Continuing Disclosure Supplement with The Bank of New York Trust Company, N.A., as counterparty (the "Counterparty"), to be dated the date of initial delivery of the Series S Bonds, which supplements the Continuing Disclosure Undertaking Agreements dated September 6, 1995, and May 6, 1998, as previously supplemented (collectively, the "Continuing Disclosure Agreement"). Pursuant to the terms of the Continuing Disclosure Agreement, the University will agree to provide the following information while any of the Series S Bonds are outstanding:

(i) To each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), when and if available, the audited financial statements of the University for each fiscal year, beginning with the fiscal year ending June 30, 2008, together with the auditor's report and all notes thereto; and

(ii) To each NRMSIR then in existence and to the SID, within 180 days of the close of each fiscal year, beginning with the fiscal year ending June 30, 2008, annual financial information (other than the audited financial statements described above) consisting of: (a) unaudited financial statements of the University if audited financial statements are not available and (b) operating data (excluding any demographic information or forecasts) of the general type included in Appendix A to this Official Statement (the "Annual Information");

(iii) To each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, notice at the occurrence of any of the following events with respect to the Series S Bonds, if material (which determination of materiality will be made by the University):

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or events affecting the tax-exempt status of the Series S Bonds;

(g) modifications to the rights of owners of the Series S Bonds;

(h) Series S Bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event, the terms of which redemptions are set forth in this Official Statement);

(i) defeasances of the Series S Bonds;

(j) release, substitution or sale of property securing repayment of the Series S Bonds; and

(k) rating changes; and

(iv) To each NRMSIR or the MSRB, and to the SID, notice of the University's failure to provide Annual Information as described above.

Notwithstanding the foregoing, any information required to be provided by the University to each NRMSIR and the SID as described above may, instead, be provided by the University to DisclosureUSA, but only for so long as the conditions for the interpretation made by the SEC in the Response continue to be met. "DisclosureUSA" means the Internet-based electronic filing system created by the Municipal Advisory Council of Texas for the purpose of facilitating compliance by issuers and obligated persons (both as defined in the Rule) with continuing disclosure agreements entered into to satisfy the obligations of underwriters (as defined in the Rule). "Response" means the interpretive letter, dated September 7, 2004, released by the Division of Market Regulation of the SEC regarding DisclosureUSA.

If any Annual Information or audited financial statements relating to the University referred to above no longer can be provided because the operations to which such information relates have been materially changed or discontinued, a statement to such effect, provided by the University to each NRMSIR then in existence and to the SID, along with any other Annual Information or audited financial statements required to be provided under the Continuing Disclosure Agreement, will satisfy the Continuing Disclosure Agreement. To the extent available, the University will cause to be filed, along with the other Annual Information or audited financial statements, operating data similar to that which can no longer be provided.

Failure to provide any components of Annual Information, because it is not available to the University on the date by which Annual Information is required to be provided under the Continuing Disclosure Agreement, will not be deemed to be a breach of the Continuing Disclosure Agreement. However, in the event such Annual Information is not available to the University, the University will provide to each NRMSIR and to the SID, in the remaining disclosure of the Annual Information, (i) a description of the Annual Information that is not available, (ii) any replacement or substitute information, (iii) whether such Annual Information is expected to be available and (iv) if known by the University, the date such Annual Information will be made available to the University. The University further agrees to supplement the Annual Information filing when such data is available.

Dissemination Agent

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

Remedy

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

In the event the University fails to provide any information required to be provided by the Continuing Disclosure Agreement, any holder of Series S Bonds may pursue the remedy set forth above in any court of competent jurisdiction in the State. Any challenge to the adequacy of the information provided by the University by the terms of the Continuing Disclosure Agreement may be pursued only by holders of not less than 25% in principal amount of Series S Bonds then outstanding in any court of competent jurisdiction in the State. An affidavit to the effect that such persons are holders of Series S Bonds, supported by reasonable documentation of such claim, will be sufficient to evidence standing to pursue the remedy set forth above. The Counterparty, upon satisfactory indemnification and demand by those persons it reasonably believes to be holders of Series S Bonds, may also pursue the remedy set forth above in any court of competent jurisdiction in the State. The Counterparty will have no obligation to pursue any remedial action in the absence of a valid demand from holders of Series S Bonds, together with satisfactory indemnification.

Prior to pursuing any remedy for any breach of any obligation under the Continuing Disclosure Agreement, a holder of Series S Bonds must give notice to the University, by registered or certified mail, of such breach and its intent to pursue such remedy. Fifteen days after the mailing of such notice (the "Notice Period"), and not before, such remedy may be pursued under the Continuing Disclosure Agreement if and to the extent the University has failed to cure such breach within the Notice Period.

Modification of Continuing Disclosure Agreement

The University and the Counterparty may, from time to time, amend or modify the Continuing Disclosure Agreement without the consent of or notice to the owners of the Series S Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the University, or type of business conducted, (ii) the Continuing Disclosure Agreement, as so amended or modified, would have complied with the requirements of the Rule as of the date of issuance of the Series S Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the holders of the Series S Bonds, as determined either by (A) any person selected by the University that is unaffiliated with the University (including the Counterparty or the Trustee under the Indenture) or (B) an approving vote of the holders of the requisite percentage of outstanding Series S Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or modification is permitted by law.

Counterparty's Obligation

The Counterparty will have no obligation to take any action whatsoever with respect to information or notices provided or required to be provided by the University under the Continuing Disclosure Agreement except any obligations arising from the Counterparty serving as a Dissemination Agent, and no implied covenants or obligations may be read into the Continuing Disclosure Agreement against the Counterparty. Further, the Counterparty will have no responsibility to ascertain either (i) the truth, completeness, timeliness or accuracy of the information provided by the University as required under the Continuing Disclosure Agreement, or (ii) the sufficiency of such information for purposes of compliance with the Rule or the requirements of the Continuing Disclosure Agreement.

MISCELLANEOUS

During the initial offering period for the Series S Bonds, copies of the Indenture, the Continuing Disclosure Agreement and the Resolutions will be available for inspection at the Office of the Treasurer of Indiana University, Bryan Hall 114, Bloomington, Indiana 47405.

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

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

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

THE TRUSTEES OF INDIANA UNIVERSITY

By: /s/ MaryFrances McCourt
Treasurer

February 8, 2008

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APPENDIX A

INDIANA UNIVERSITY

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APPENDIX A

INDIANA UNIVERSITY

General

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

Indiana University is composed of eight campuses, with core campuses in Bloomington and Indianapolis and regional campuses serving other areas of the state located in Gary (Northwest), Fort Wayne (Indiana University Purdue University Fort Wayne), Kokomo, New Albany (Southeast), Richmond (East), and South Bend. The Bloomington campus is the oldest and largest campus in the Indiana University system, occupying 1,933 acres, and is the primary residential campus. The Indiana University Purdue University at Indianapolis campus (IUPUI) is the home of the Indiana University School of Medicine, the School of Dentistry, and the School of Nursing. The eight campuses of Indiana University encompass a total 3,632 acres. Indiana University and Purdue University jointly offer academic programs at IUPUI and the Fort Wayne campus. Indiana University has fiscal responsibilities for IUPUI, and Purdue University has fiscal responsibilities for the Fort Wayne campus.

Academic Schools, Colleges & Divisions of Indiana University

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

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

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

East - Division of Behavioral and Social Sciences; Division of Business and Economics; School of Continuing Studies; Division of Education; Division of Humanities and Fine Arts; Division of Natural Science and Mathematics; and School of Nursing.

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

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

Northwest - College of Arts and Sciences; School of Business and Economics; School of Continuing Studies; School of Education; College of Health and Human Services; and School of Public and Environmental Affairs.

South Bend - Ernestine M. Raclin School of the Arts; School of Business and Economics; School of Continuing Studies; School of Education; Division of Extended Learning; School of Informatics; Division of Labor Studies; College of Liberal Arts and Sciences; Division of Nursing and Health Professions; School of Public and Environmental Affairs; and School of Social Work.

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

Authorized Degree Programs and Degrees Conferred

For the 2007-08 academic year, 1,048 Indiana University degree and certificate programs and 141 Purdue University degree and certificate programs are authorized and implemented on Indiana University campuses, including 69 Statewide Technology programs. Four-year programs leading to baccalaureate degrees constitute the largest single category, accounting for 478 programs. Advanced degrees (professional, master's and master's degree equivalents and doctoral) account for 370 programs, associate and certificate degree programs for 341.

The University's total headcount enrollment for the fall semester of 2007 was 99,122 students. During the academic year ended June 30, 2007, the University awarded a total of 18,746 degrees consisting of 11,125 bachelor’s degrees, 4,086 master's degrees, 1,367 professional and doctoral degrees, 1,363 associate degrees, and 805 certificate degrees. As of the fall semester of 2007, Indiana University's full time faculty totaled 5,018 for all campuses.

Accreditations and Memberships

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

The Board of Trustees of the University

The University is governed by a nine-member Board of Trustees, which under Indiana statutes has policy and decision-making authority to carry out the programs and missions of Indiana University. Five of the members of the Board of Trustees are appointed by the Governor for three year terms; three trustees are elected by the alumni of Indiana University for three year terms, with one alumnus trustee being elected each year; and one trustee position must be a full-time student of Indiana University. The student trustee is appointed by the Governor for a two year term. The current members of the Board of Trustees are listed below:

Administrative Officers

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

Michael A. McRobbie, President

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

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

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

J. Terry Clapacs, Vice President and Chief Administrative Officer

Dorothy J. Frapwell, Vice President and General Counsel

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

Patrick O’Meara, Vice President for International Affairs

Ora Pescovitz, Interim Vice President for Research Administration

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

William B. Stephan, Vice President for Engagement

Neil Theobald, Vice President and Chief Financial Officer

Bradley W. Wheeler, Vice President for Information Technology

Bruce W. Bergland, Chancellor of Indiana University Northwest

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

Nasser H. Paydar, Interim Chancellor of Indiana University East

Ruth J. Person, Chancellor of Indiana University Kokomo and Chancellor Liaison, Office of the President

Una Mae Reck, Chancellor of Indiana University South Bend

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

Adam W. Herbert, President Emeritus of the University

Myles Brand, President Emeritus of the University

Thomas Ehrlich, President Emeritus of the University

John W. Ryan, President Emeritus of the University

MICHAEL A. MCROBBIE – President. Dr. McRobbie took office as the 18th president of Indiana University on July 1, 2007. A native of Australia, he joined the University in 1997 as Vice President for Information Technology and Chief Information Officer. In 2003, he assumed the additional responsibilities of Vice President for Research. In 2006 the Trustees of Indiana University appointed him Interim Provost and Vice President for Academic Affairs. During his tenure, research grants awarded to the University have more than doubled. The University has also achieved national recognition for its strengths in life sciences research, information technology, and the arts and humanities. Dr. McRobbie holds professorships in computer science, informatics, and philosophy, and adjunct professorships in cognitive science and information science on the Bloomington campus. He is also a professor of computer technology in the Purdue School of Engineering and Technology at the IUPUI campus. A member of many national and international industrial, governmental, and scientific boards and committees, President McRobbie currently holds appointments on the Sun Microsystems Academic Advisory Council, the Dell Platinum Council, the Internet2 International Relations Committee, and the Microsoft Higher Education Advisory Group, among others. Prior to arriving at the University, he was a co-founder of the high-performance broadband Asia Pacific Advanced Network, which supports the research and education community all across the Asia-Pacific region. He earned a Bachelor of Arts degree from the University of Queensland and a Doctoral degree at the Australian National University.

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

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

Facilities

Square Footage There are 846 buildings on all campuses of Indiana University encompassing 30.9 million gross square feet, of which approximately 19.3 million square feet is assignable to operating units.

Indiana University's Library System serves all campuses with separate collections as well as interlibrary loan programs. As of June 30, 2007, the library system holdings include 10.7 million volumes. Indiana University's libraries are open to residents of the State of Indiana as well as University faculty and staff.

The Lilly Library on the Bloomington campus houses Indiana University's collections of rare books and manuscripts. Its holdings number more than 400,000 books, over 7,500,000 manuscripts and 100,000 pieces of sheet music.

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

Research As of fall 2006, Indiana University, excluding the Fort Wayne Campus, has approximately 1,027,891 assignable square feet of laboratories and service areas used for research purposes, primarily on the Bloomington and IUPUI campuses. The nature and function of this research space ranges from highly specialized to broad multi-disciplinary uses, with an emphasis on life and medical sciences.

Housing Facilities All undergraduate first-year students on the Bloomington campus are required to live in on–campus housing facilities, which currently include residence halls, on-campus apartments, and fraternity and sorority houses. As of fall 2007, the Bloomington campus provided residence hall/dormitory housing for 9,966 students and apartment housing for 1,156 students. For the Bloomington campus, occupancy in residence halls was 95% and in apartment housing was 97%. On the Bloomington campus, an estimated 5,300 students participate in Greek Life in chapters consisting of 27 sororities and 33 fraternities. Chapters that provide on-campus housing include 19 sorority and 25 fraternity houses. As of fall 2007, the residence facilities on the IUPUI campus provided living quarters for 1,073 students, through a combination of apartment style housing, traditional co-ed residence halls, and townhouse units. For the IUPUI campus, housing occupancy was 99%. The regional campuses currently have no residence halls or University-owned apartments. As of Fall 2007, the South Bend and the Southeast campuses both have housing facilities under construction. When completed, these facilities will provide living quarters for approximately 400 students each. These facilities will not be included as facilities under the Student Residence System indenture.

Parking Facilities Parking space is provided for faculty, staff, students and visitors on all University campuses. Use of all parking areas and parking facilities is generally limited to paid permit holders, except for those garages and surface lots provided for visitors that are controlled by daily parking rates. Parking is available at fifteen garages on four campuses and at various surface lots on all University campuses. Upon completion of the Henderson-Atwater Parking Garage in Fall/Winter 2007, the Bloomington campus will have approximately 410 additional parking spaces available. This facility will not be included as a facility under the Facility Revenue System indenture.

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

Faculty and Staff

Indiana University's full-time academic administrators, faculty and lecturers consisted of 5,018 persons (including visiting faculty but excluding librarians), as of the fall semester of 2007. This number has increased 13% over the past five years. The percentage of faculty at Indiana University's Bloomington and IUPUI campuses that have tenure are 71% and 67%, respectively (based upon the number of faculty and administrators with the rank of instructor or above who are eligible for tenure, but excluding librarians).

As of the fall semester of 2007, 87% of Bloomington campus faculty (including visiting faculty) and academic administrator with professional rank hold a doctoral or professional degree. This percentage is 90% at IUPUI; and 86% at the other campuses.

The number of full-time administrators and staff employed by the University totaled 10,844 as of fall 2007. Certain janitorial, craft, maintenance and food service personnel at the University are represented by the American Federation of State, County and Municipal Employees (AFSCME). Certain clerical, technical and support staff personnel of the University are represented by the Communications Workers of America (CWA). University administration meets and confers with each union about specific working conditions under the framework of "Conditions for Cooperation," a policy statement adopted by the Board of Trustees, but does not negotiate collective bargaining agreements. As an instrumentality of the state of Indiana, the University and its employees are not subject to the provisions of the National Labor Relations Act, as amended, but are governed by state law, which prohibits strikes by public employees. AFSCME's and CWA's status as exclusive representatives of certain of the University's employees is conditioned upon their disavowal of the right to strike in accordance with such law and Board of Trustees policy.

Student Admissions

Indiana University attracts students from a variety of backgrounds and geographic locations, with representation from all 50 states and over 158 foreign countries, as of fall 2007. Indiana residents represented 76% of the total enrollment, while 24% were from other states, foreign countries or unknown origin.

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

Application and Enrollments[1, 2]

Academic Year	Applications Received	Applicants Accepted	Percent Accepted	Percent of Accepted Enrolled
2003-04	33,936	27,149	80.0	48.7
2004-05	32,465	26,443	81.5	47.0
2005-06	33,134	27,383	82.6	47.1
2006-07	35,904	28,238	78.6	46.8
2007-08	43,004	30,890	71.8	43.9

Source: University Reporting & Research

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

2 While Fort Wayne admissions data had been included in prior years' reports (through the fall of academic year 2004-05), Fort Wayne data is excluded from this table in order to maintain comparability with other data in this table.

In the 2007-08 academic year, for the Bloomington campus the percentage of beginning students ranking in the upper 50% of their high school class was 98%. During the same period the percentage of beginning students ranking in the upper 25% of their high school class was 68%, and the percentage of beginning students ranking in the upper 10% was 31%.

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

Average SAT Scores

Academic Year	Indiana University	National
2003-04	1037	1026
2004-05	1038	1026
2005-06	1051	1028
2006-07	1053	1021
2007-08	1060	1017

Source: University Reporting & Research

Student Enrollment

The headcount enrollments for Bloomington, IUPUI and regional campuses of Indiana University, including Fort Wayne, for the fall semester 2003 through 2007 are shown in the following table. The Fort Wayne enrollment numbers indicate the students in Indiana University academic programs on that campus. Purdue University administers and is fiscally responsible for the Fort Wayne campus.

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

Fall Semester	Bloomington	IUPUI	Regionals	Total Enrollment
Actual				
2003	38,589	29,860	30,715	99,164
2004	37,821	29,953	30,771	98,545
2005	37,958	29,933	30,652	98,543
2006	38,247	29,764	29,948	97,959
2007	38,990	29,854	30,278	99,122

Source: University Reporting & Research

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

Projected headcount enrollments for Bloomington, IUPUI and the regional campuses of Indiana University, excluding Fort Wayne, for the fall semester 2008 through 2011 are shown in the following table.

Projected Headcount Enrollment by Campus Excluding Fort Wayne[1]

Fall Semester	Bloomington	IUPUI	Regionals	Total Enrollment
Projected				
2008	38,929	29,903	23,747	92,579
2009	39,049	29,720	23,827	92,596
2010	38,600	30,317	24,028	92,945
2011	38,024	30,634	24,082	92,740

Source: University Budget Office from Fall 2007 Enrollment Study

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

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

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

Fall Semester	Undergraduate	Graduate & Professional	Total	Full-Time Equivalent	Total Annual Credit Hours Taken
Actual					
2003	73,092	19,664	92,756	72,319	2,285,523
2004	72,179	19,891	92,070	71,962	2,264,259
2005	72,140	19,715	91,855	72,440	2,265,835
2006	71,784	19,629	91,413	72,563	2,271,014
2007	72,540	19,953	92,493	73,786	2,313,000[1]
Projected [2]					
2008	72,687	19,892	92,579	73,417	2,301,000
2009	72,663	19,933	92,596	73,509	2,304,000
2010	72,940	20,005	92,945	73,672	2,309,000
2011	72,778	19,962	92,740	73,382	2,300,000

Source: University Reporting & Research; Projections - University Budget Office from Fall 2007 Enrollment Study

[1] Estimated.

[2] The projections presented above were prepared by the University based on an estimate of the anticipated enrollment at the University. No representation can be made as to the ability of the University to achieve these projections.

Fees

Indiana University operates its programs on a two-semester and summer-session basis. Tuition, fees and other costs of attending Indiana University vary by campus and curriculum. For resident students at Bloomington and IUPUI, educational costs charged by the University include instructional fees (which include other fees allocated to debt retirement), other special fees associated with specific courses and/or academic programs, and room and board (if the student lives on campus).

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

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

The tables on the following pages set forth the regular instructional fees for graduate and undergraduate students attending Indiana University for the academic years indicated. Figures are on a per credit hour basis unless otherwise indicated. “Returning student” in the following table refers to students who began their schooling prior to Summer Session 2004. See the Annual Instructional Fees section of the report included below.

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Instructional Fees

Academic Year	2003-04	2004-05	2005-06	2006-07	2007-08
Bloomington Campus					
Undergraduate: per semester (12-17 credit hours)					
Resident - returning student	$ 2,378.00	$2,473.10	$2,597.25	$2,753.49	$2,895.25
Resident - new student	2,878.00	2,993.10	3,145.35	3,328.44	3,499.80
Non-Resident - returning student	7,895.50	8,369.25	8,786.70	9,249.20	10,100.15
Non-Resident - new student	8,395.50	8,899.25	9,343.70	9,834.60	10,739.40
Undergraduate: per credit hour (< 12 or > 17 credit hours)					
Resident - returning student	148.45	154.40	162.15	171.90	180.75
Resident - new student	179.70	186.90	196.40	207.83	218.53
Non-Resident - returning student	493.50	523.10	549.20	578.10	631.30
Non-Resident - new student	524.75	556.25	584.05	614.75	671.30
Graduate and Professional: per credit hour[1]					
Resident	204.50	212.70	226.55	241.30	265.43
Non-Resident	595.75	619.60	659.85	702.75	773.03
IUPUI Campus					
Undergraduate: per credit hour					
Resident - returning student	145.05	150.85	158.40	166.94	175.30
Resident - new student	171.70	178.55	187.50	197.46	207.35
Non-Resident - returning student	451.15	478.20	502.10	527.74	575.25
Non-Resident - new student	477.80	506.45	531.75	558.86	609.15
Graduate and Professional: per credit hour[1]					
Resident	194.10	201.85	214.95	226.55	242.40
Non-Resident	560.15	582.55	620.40	653.90	712.75
Regional Campus: East					
Undergraduate: per credit hour					
Resident - returning student	120.60	125.40	131.05	137.60	144.50
Resident - new student	137.25	142.75	149.15	156.55	164.40
Non-Resident - returning student	318.95	338.10	353.30	369.20	395.05
Non-Resident - new student	335.60	355.75	371.75	388.50	415.70
Graduate: per credit hour[1]					
Resident	157.45	163.75	174.40	183.10	195.90
Non-Resident	360.15	374.55	398.90	418.85	448.15
Regional Campus: Kokomo					
Undergraduate: per credit hour					
Resident - returning student	120.60	125.40	131.05	137.45	144.30
Resident - new student	137.25	142.75	149.15	156.45	164.25
Non-Resident - returning student	318.95	338.10	353.30	368.95	394.80
Non-Resident - new student	335.60	355.75	371.75	388.25	415.45
Graduate: per credit hour[1]					
Resident	157.45	163.75	174.40	182.95	195.75
Non-Resident	360.15	374.55	398.90	418.45	447.75
Regional Campus: Fort Wayne					
Undergraduate: per credit hour					
Resident	170.25	177.05	187.65	201.35	210.40
Non-Resident	385.20	408.30	432.80	461.20	488.85

Instructional Fees

Academic Year	2003-04	2004-05	2005-06	2006-07	2007-08
Regional Campus: Fort Wayne					
Graduate: per credit hour[1]					
Resident	$210.35	$218.75	$231.90	$248.25	$259.40
Non-Resident	448.00	474.90	503.40	536.05	568.20
Regional Campus: Northwest					
Undergraduate: per credit hour					
Resident - returning student	120.60	125.40	131.05	138.00	145.40
Resident - new student	137.25	142.75	149.15	157.00	165.40
Non-Resident - returning student	318.95	338.10	353.30	369.15	395.00
Non-Resident - new student	335.60	355.75	371.75	388.45	415.65
Graduate: per credit hour[1]					
Resident	154.75	160.95	171.40	180.50	193.15
Non-Resident	360.15	374.55	398.90	420.05	449.45
Regional Campus: South Bend					
Undergraduate: per credit hour					
Resident - returning student	122.70	127.60	134.50	141.75	148.90
Resident - new student	139.35	144.95	152.75	160.85	168.95
Non-Resident - returning student	342.45	363.00	381.50	400.90	428.95
Non-Resident - new student	359.10	380.65	400.05	420.40	449.85
Graduate: per credit hour[1]					
Resident	158.80	165.15	175.90	185.40	198.40
Non-Resident	386.95	402.45	428.60	456.40	488.35
Regional Campus: Southeast					
Undergraduate: per credit hour					
Resident - returning student	120.60	125.40	131.05	137.65	144.55
Resident - new student	137.25	142.75	149.15	156.60	164.45
Non-Resident - returning student	318.95	338.10	353.30	369.25	395.10
Non-Resident - new student	335.60	355.75	371.75	388.50	415.70
Graduate: per credit hour[1]					
Resident	157.45	163.75	174.40	185.75	200.00
Non-Resident	360.15	374.55	398.90	424.85	454.60

Source: University Reporting & Research

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

Annual Instructional Fee The following table sets forth the annual instructional fees for full time Bloomington campus students, for the academic years indicated. Undergraduate fee rates assume a load of 30 credit hours per year. Undergraduate students new to Indiana University in Summer Session 2003 or later are assessed a higher instructional fee rate than students who began their schooling prior to Summer Session 2003. For the academic year 2007-08, the difference between the new student rate as compared to the continuing student rate for residents will be $1,209 at Bloomington; $962 at IUPUI, and an average of $599 across the regional campuses (assuming 15 credit hours per semester). These differences will be comparable, but slightly higher, for non-resident students. The higher fee is assessed to new full-time equivalent (FTE) students on an annual basis.

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Annual Instructional Fees
for Full-Time Bloomington Campus Students

Academic Year	2003-04	2004-05	2005-06	2006-07	2007-08
Undergraduate, Resident (returning student)	$ 4,756	$ 4,946	$ 5,195	$ 5,507	$ 5,791
Undergraduate, Non-resident (returning student)	15,791	16,739	17,573	18,498	20,200
Undergraduate, Resident (new student)	5,756	5,986	6,291	6,657	7,000
Undergraduate, Non-resident (new student)	16,791	17,799	18,687	19,669	21,479

Source: University Reporting & Research

Mandatory Fees

During the 2007-08 academic year, new and returning students at the Bloomington campus who enrolled in more than 6.0 credit hours paid mandatory fees per year as follows: Health Center Fee - $199.54; Student Activity Fee - $149.82; Transportation Fee - $106.94; and Technology Fee - $380.66. Full-time students at IUPUI pay mandatory fees per year as follows: Student Activity Fee - $181.94; Technology Fee - $354.20; and Athletic Fee – $73.46. Rates for part-time students are based on the number of credit hours taken. Students at regional campuses pay a Student Activity Fee and a Technology Fee based on the number of credit hours taken.

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

Student Budget for the 2007-08 Academic Year
for an Undergraduate First-Year Student [1]

Cost of Attendance	Resident	Non-Resident
Room/Board	$ 7,474	$ 7,474
Books/Supplies	758	758
Miscellaneous	2,256	2,256
Transportation	768	768
Subtotal	$11,256	$11,256
Tuition/Fees (new student)	7,837	22,316
Budget (new student)	$19,093	$33,572

Source: University Reporting & Research

[1] All undergraduate first-year students on the Bloomington campus are required to live on campus, currently defined as residence halls, on-campus apartments, and fraternity and sorority houses.

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

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Student Fee Revenues
(dollars in thousands)

Fiscal Year Ended June 30	2003	2004	2005	2006	2007
Student Fees Per Indenture					
Gross Student Fees	$ 578,882	$ 634,181	$ 680,045	$730,113	$790,284
Less Certain Dedicated [1]	(444)	(446)	(446)	(450)	(452)
Student Fees Per Indenture [2]	$578,438	$633,735	$679,599	$729,663	$789,832
Student Fees Per the Financial Report					
Gross Student Fees	$ 578,882	$ 634,181	$ 680,045	$730,113	$790,284
Less Scholarship Allowance	(71,044)	(75,710)	(79,785)	(85,566)	(98,006)
Student Fees Net of Scholarship Allowance[2]	$507,838	$558,471	$600,260	$644,547	$692,278

Source: Financial Management Services (student fees and scholarship allowances are from the financial reports of the University for fiscal years ended June 30, 2003 through 2007); University Budget Office (dedicated fees)

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

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

Student Financial Aid

Excluding the Fort Wayne Campus, approximately 57% of the students at Indiana University receive financial aid through various programs administered by Indiana University. The following table summarizes the financial aid, including parent loans, provided to Indiana University students for the five fiscal years ending June 30, 2007. A substantial portion of the funds provided are derived from sources outside Indiana University. Historically, federal loans, grants and other programs have provided a large portion of student financial assistance. All programs furnished by the federal and state government are subject to appropriation and funding by the respective legislatures. There can be no assurance that the current amounts of federal and state financial aid to students will be available in the future at the same levels and under the same terms and conditions as presently apply.

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

Fiscal Year Ended June 30	2003	2004	2005	2006	2007
Gifts and Grants	$174,870	$191,046	$222,234	$233,515	$279,329
Loans	357,507	393,914	398,329	454,240	473,440
Other	6,677	7,540	5,161	5,544	5,209
Total Financial Assistance	$539,054	$592,500	$625,724	$693,299	$757,978

Source: University Reporting & Research

1 Excludes Fort Wayne Campus

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

Financial Operations of the University

The accompanying financial report (attached as Appendix B) has been prepared by the University operating as a special-purpose government entity engaged in business-type activities per standards established by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities.

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

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

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

	2003	2004	2005[1]	2006	2007
Operating revenues					
Student fees	$ 578,882	$ 634,181	$680,045	$730,113	$790,284
Less scholarship allowance	(71,044)	(75,710)	(79,785)	(85,566)	(98,006)
Federal grants and contracts	231,388	255,183	300,711	306,219	375,774
State and local grants and contracts	28,067	29,084	20,627	18,945	10,569
Nongovernmental grants and contracts	107,684	120,275	93,742	113,378	93,636
Sales and services of educational units	50,619	54,338	46,854	48,226	49,108
Other revenue	157,459	161,217	171,819	173,112	185,890
Auxiliary enterprises [2]	291,182	315,552	312,110	320,520	346,415
Total operating revenues	**$1,374,237**	**$1,494,120**	**$1,546,123**	**$1,624,947**	**$1,753,670**
Operating expenses					
Compensation and benefits	$1,224,622	$1,283,808	$1,332,963	$1,380,420	$1,455,869
Student financial aid	74,977	85,274	86,195	93,401	98,061
Energy and utilities	39,778	41,125	44,295	50,334	52,409
Travel	27,468	30,299	30,903	33,373	36,231
Supplies and general expense	398,663	432,791	449,408	461,254	484,677
Depreciation and amortization expense	101,308	98,540	104,700	109,224	111,860
Total operating expenses	**$1,866,816**	**$1,971,837**	**$2,048,464**	**$2,128,006**	**$2,239,107**
Total operating loss	**$(492,579)**	**$(477,717)**	**$(502,341)**	**$(503,059)**	**$(485,437)**
Nonoperating revenues (expenses)					
State appropriations	$ 511,268	$ 516,469	$ 530,565	$ 528,615	$ 527,747
Investment income	35,021	30,123	46,730	47,452	85,462
Gifts	47,702	51,255	57,072	61,271	67,398
Interest expense	(25,031)	(23,521)	(29,658)	(32,593)	(35,952)
Net nonoperating revenues	**$ 568,960**	**$ 574,326**	**$ 604,709**	**$ 604,745**	**$ 644,655**
Income before other revenues, expenses, gains, or losses	**$ 76,381**	**$ 96,609**	**$ 102,368**	**$ 101,686**	**$ 159,218**
Capital appropriations	$ 9,500	$ 2,617	$ 2,617	$ 2,471	$ 10,467
Capital gifts and grants	33,818	10,530	12,614	17,008	3,311
Additions to permanent endowments	2,058	4,712	1,543	1,655	2,147
Total other revenues	**$ 45,376**	**$ 17,859**	**$ 16,774**	**$ 21,134**	**$ 15,925**
Increase in net assets before Change in accounting policy	**$ 121,757**	**$ 114,468**	**$ 119,142**	**$ 122,820**	**$ 175,143**
Cumulative effect of change in accounting policy					
Assets under capitalization level	(61,562)	–	–	–	–
Increase in net assets	**$ 60,195**	**$ 114,468**	**$ 119,142**	**$ 122,820**	**$ 175,143**
Net assets, beginning of year	1,600,860	1,661,055	1,775,523	1,894,665	2,017,485
Net assets, end of year	**$1,661,055**	**$1,775,523**	**$1,894,665**	**$2,017,485**	**$2,192,628**

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2003 through 2007. See accompanying notes to the financial statements.

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

2 Net of scholarship allowance of $9,647; $9,534; $10,451; $11,237; and $12,245 (in thousands) for 2003 through 2007.

Budgeting Procedures

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

The University has adopted a balanced operating budget for the fiscal year ending June 30, 2008. Total budgeted expenditures, net of internal transfers, for Unrestricted, Restricted, and Auxiliary Enterprises for campuses for which Indiana University has fiscal responsibility are $2,408,000,000. The 2007-08 fiscal year budget anticipates the receipt of gross student fee revenue of $791,500,000, state operating appropriations of $541,400,000, grants and contracts of $409,500,000, sales and services of educational units of $42,200,000, auxiliary enterprise revenue of $337,200,000, investment income of $13,400,000, gift income of $27,200,000, and other revenues of $151,700,000. The operating budget excludes capital projects, some sources of investment income and most gifts, and scholarship allowance. The University's 2007-08 fiscal year expenditures budget for externally funded programs including research, service and instruction totals $409,500,000. Auxiliary operations have budgeted expenditures of $337,200,000. Of the $1,661,700,000 in unrestricted and other restricted funds, budgeted expenditures are as follows: instruction of $829,500,000; research and public service of $47,000,000; academic and student support of $287,700,000; physical plant of $133,000,000; student financial aid of $103,000,000; and institutional support of $261,500,000.

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

State Appropriations to the University

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

In addition, the General Assembly has historically appropriated to the University an amount equal to the annual debt service requirements due on certain outstanding Student Fee Bonds (the "Fee Replacement" appropriations). This appropriation is renewed and expanded on a biennial basis because the Constitution of the state of Indiana prohibits a sitting General Assembly from binding subsequent General Assemblies to the continuation of any funds, including Fee Replacement appropriation. Even so, in over 35 years of making Fee Replacement appropriations, the state of Indiana has never failed to fully fund a Fee Replacement obligation established by a prior General Assembly. The University expects that the policy of Fee Replacement appropriations will be continued in future years.

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

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

Fiscal Year Ended June 30	Unrestricted General Operating	Fee Replacement	Restricted Special	General Maintenance, Repair and Rehabilitation and Capital
2003	$448,901 [2, 3]	$ 52,401	$ 15,850 [3]	$ 14,007 [3]
2004	453,048 [2]	53,555	14,805	5,233[3]
2005	462,981 [2]	53,905	14,782	5,233[3]
2006	458,996	55,201	13,676	10,467
2007	458,266[2]	64,072	13,176	10,467
2008	471,724	69,865	15,191	12,601
2009	491,234	73,526	15,977	12,601

Source: University Budget Office

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

2 Beginning with fiscal year 2002 (no longer shown), and through fiscal year 2005, the state withheld one month of operating appropriation. The University recorded accounts receivable for these amounts. Following the action of the 2006 General Assembly, Indiana University received $15,667,060 of this receivable during fiscal year 2007, which had been designated for repair and rehabilitation expenditures. The remainder of the withheld operating appropriation, $24,343,850, is expected to be paid to the University and is designated for repair and rehabilitation projects during the 2007-09 biennium.

3 For fiscal year 2003, the appropriation levels are as indicated. One-half percent (0.5% or $2,244,505) of the general operating appropriation was withheld by action of the Governor. Seven percent (7% or $1,109,500) of the restricted special appropriation also was withheld. All but $86,126 of the general repair and rehabilitation funding for the 2001-03 biennium was withheld. One-half of the general repair and rehabilitation funding for the 2003-05 biennium was withheld.

Indiana University Foundation

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

The Foundation is governed by a Board of Directors, three members who must be current members of the Board of Trustees of the University and one member who must be the President of Indiana University. The assets and income of the Foundation are held and accounted for separately from the funds of Indiana University. As of June 30, 2007, the assets of the Foundation and the assets of the University managed by the Foundation had a market value of $2,128,000,000, the majority of which consisted of funds restricted for University purposes.

Assets, net assets, annual income of the Foundation and the annual distributions to the University for the fiscal years ended June 30, 2003 through 2007 are set forth below.

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Indiana University Foundation Financial Summary
(dollars in thousands)

Fiscal Year Ended June 30	Assets[1]	Net Assets	Annual Income	Distribution to the University[2]
2003	$1,277,839	$ 950,699	$181,678	$163,096[3]
2004	1,446,014	1,057,561	278,418	148,935[3]
2005	1,584,234	1,143,618	265,716	152,704[3]
2006	1,723,646	1,294,294	267,855	79,220[4]
2007	2,128,320	1,632,556	457,011	87,133[4,5]

Source: Indiana University Foundation

1 Assets that the Foundation held for the University and for University affiliates had corresponding liabilities reported on the Indiana University Foundation Statement of Financial Position June 30, 2007, which is contained within the accompanying financial report, attached as Appendix B. The portion of those Assets held for the University and for University affiliates, which represent endowment funds managed by the Foundation total $114,565,703; $136,759,650; $156,334,308; $174,610,675; and $217,005,780 for the fiscal years ended June 30, 2003 through 2007, respectively. Additional information with respect to University endowment funds is contained within the Endowments section below.

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

3 Lilly Endowment, Inc. has provided $143,000,000 in operating grant funds for University support and faculty research over the past several years. During fiscal years ended June 30, 2003, 2004, and 2005 total disbursements increased significantly due to the transfer of these funds to the University.

4 See Indiana University Foundation Notes to the Financial Statements, June 30, 2007, Note 10, which is an excerpt of the accompanying financial report, attached as Appendix B.

5 Of the $95,105,730 expended from the Foundation during fiscal year ended June 30, 2007, $87,133,133 was expended from University funds held at the Foundation and $7,972,374 was expended from Foundation unrestricted funds.

Annual Fund Raising

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

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

Giving to the Indiana University Foundation

Fiscal Year Ended June 30	Number of Donors	Receipts (dollars in thousands)
2003	105,977	$ 153,118 [1]
2004	101,542	121,351
2005	107,486	150,848 [2]
2006	106,735	110,693
2007	112,195	147,536 [3]

Source: Indiana University Foundation

1 Includes a one-time grant of $50,000,000 from Lilly Endowment, Inc.

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

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

Endowments

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

The market value of endowments and funds functioning as endowments in each of the fiscal years ended June 30, 2003 through 2007 are indicated below.

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

Fiscal Year Ended June 30	Market Value [2]
2003	$ 116,265 [3]
2004	137,382 [3]
2005	161,591
2006	173,927
2007	216,073

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2003 through 2007 - Notes to the Financial Statements regarding Endowment Funds

1 In addition to funds currently managed by the Indiana University Foundation, these figures include other University endowments (see Note 6 of the accompanying financial report, attached as Appendix B).

2 Beginning with the year ended June 30, 2005, real estate is valued at fair value. For prior years, real estate was valued at cost. No comparable fair value is available for prior years. The market value as of September 30, 2007, for endowments and funds functioning as endowments was $212,009,206.

3 The figures for 2003 and 2004 have been updated from prior disclosure. The figures represented here agree to the Indiana University Financial Report, 2003-2004, Note 5 – Endowment Funds.

Physical Plant

As of June 30, 2007, the various campuses of the University covered a total of 3,632 acres. There are 846 buildings on all campuses of Indiana University encompassing 30.9 million gross square feet, of which 19.4 million square feet is assignable to operating units. Not included in the assignable square feet are service, circulation, and construction areas, restrooms, hallways, and wall thickness. Academic and administrate activities are assigned 10.9 million square feet; auxiliary enterprise services are assigned 8.4 million square feet. The decrease in auxiliary enterprise services and resulting total assignable square feet from the prior year is due to recent revision of the *Postsecondary Education Facilities Inventory Classification* standards which now exclude parking structure circulation space from the assignable category.

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

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

Fiscal Year Ended June 30	Capital Assets, Net [1]
2003	$ 1,596,804
2004	1,707,161
2005	1,769,561
2006	1,839,660
2007	1,933,451

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2003 through 2007

1 Net of accumulated depreciation.

Capital Program

The University has an ongoing capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects have historically been funded from a variety of sources, including gifts, state appropriations, debt financing and University reserve funds.

With respect to the 1999-2001 biennium, the Indiana General Assembly granted the University the authority to issue approximately $70,700,000 of student fee bonds, $60,200,000 of which have been issued and $10,500,000 of which remain authorized but unissued. With respect to the 2001-2003 biennium, the Indiana General Assembly granted the University the authority to issue approximately $90,200,000 of student fee bonds, $79,700,000 of which have been issued and $10,500,000 of which remain authorized but unissued. With respect to the 2003-2005 biennium, the Indiana General Assembly granted the University the authority to issue (i) approximately $96,200,000 of student fee bonds subject to Fee Replacement, $48,300,000 of which have been issued and $47,900,000 of which remain authorized but unissued, of which $45,300,000 will be issued as part of the Student Fee Bonds, Series S, and (ii) approximately $40,000,000 of student fee bonds not subject to Fee Replacement, $15,000,000 of which have been issued and $25,000,000 of which remain authorized but unissued, of which $20,000,000 will be issued as part of the Student Fee Bonds, Series S. With respect to the 2005-2007 biennium, the Indiana General Assembly granted the University the authority to issue (i) approximately $45,000,000 of student fee bonds subject to Fee Replacement, $27,000,000 of which have been issued and $14,100,000 of which will be issued as part of the Student Fee Bonds, Series S, and (ii) approximately $31,200,000 of revenue bonds for the purchase and renovation of the University Place Hotel in Indianapolis, of which $31,000,000 will be issued with Consolidated Revenue Bonds, Series 2008A, which is scheduled to close on February 7, 2008. With respect to the 2007-2009 biennium, the Indiana General Assembly granted the University the authority to issue (i) approximately $66,300,000 of student fee bonds subject to Fee Replacement, of which $18,300,000 will be issued as part of the Student Fee Bonds, Series S, and $48,000,000 will remain unissued, and (ii) $45,000,000 of revenue bonds not subject to Fee Replacement, all of which will be issued with Consolidated Revenue Bonds, Series 2008A. The timing of construction and borrowing for the remaining projects is uncertain at this time.

The University currently has tax-exempt commercial paper notes outstanding in the amount of $140,000,000, all of which will be refunded with the Consolidated Revenue Bonds Series 2008A, and the Student Fee Bonds, Series S. The University has used its tax-exempt commercial paper programs to provide interim financing for certain capital projects and may continue to do so in the future, but does not currently intend to do so under the current programs.

The University is currently in the planning or construction stages of two energy savings projects for which financing does not require General Assembly approval.

Other Indebtedness of the University

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

The University has never failed to pay punctually, and in full, all amounts due for principal of and interest on any indebtedness. The total outstanding bonded indebtedness as of December 1, 2007 is summarized in the table below.

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Facilities Indebtedness
(dollars in thousands)

Type of Issuance	Original Amount	Principal Amount Outstanding
Student Fee Bonds [1]	$1,053,351	$ 432,376 [2]
Student Housing [3]	69,895	54,840[4]
Parking Facility [3]	81,534	38,679[4]
Student Union Buildings, Halls of Music, Athletic Facilities and Other	5,700	815
Tax-Exempt Commercial Paper	140,000	140,000[5]
Energy Savings Notes	3,278	2,828
Total	$1,353,758	$ 669,538

Source: Office of the Treasurer

1 Secured by a pledge of Student Fees

2 This number is net of the accreted value of outstanding capital appreciation bonds ("CABs"). Subsequent to the most recent debt service payment as of February 1, 2008, the principal amount outstanding as of February 1, 2008 for student fee bonds, including the accreted value of the CABs, is $488,470,119.

3 Secured by a pledge of net income of the designated auxiliary enterprises and also payable from other legally available funds of the University.

4 Effective with the issuance of Consolidated Revenue Bonds, Series 2008A, which closed on February 7, 2008, a portion of the principal will be refunded, leaving $19,915,000 of Student Residence System Bonds outstanding (Residence System Bonds, Series 2004B) and $29,065,000 of Facility Revenue Bonds outstanding ($7,225,000 Series 1994A and $21,840,000 Series 2004). Outstanding principal balances for the new money portion of the Consolidated Revenue Bonds, Series 2008A, which are not shown in the table above, will be $52,800,000.

5 Effective with the issuance of Consolidated Revenue Bonds, Series 2008A, which closed on February 7, 2008, and the Student Fee Bonds, Series S, all Tax Exempt Commercial Paper will be refunded.

Note: This table does not reflect unamortized bond premium. (See Indiana University Financial Report 2006-07, Notes to the Financial Statements - Note 10)

Retirement Plans

The University provided retirement plan coverage to 17,799 and 17,530 active employees, as of June 30, 2007 and 2006, 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 is an agent multiple-employer public employee retirement system, which provides 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 6,916 and 6,913 active University employees covered by this retirement plan as of June 30, 2007 and 2006, 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 provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of a member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. 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. That report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Suite 700, 143 West Market Street, Indianapolis, IN 46204 or by calling (317) 233-4162.

Contributions made by the University totaled $17,623,256 and $15,626,947, for fiscal years ended June 30, 2007 and 2006 respectively. This represented a 5.5% and 4.5% University pension benefit contribution for fiscal years ended June 30, 2007 and 2006, respectively, and a 3% University contribution for the annuity savings account provisions each year.

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

The actuarial information represents the periods ended June 30, 2006 and 2005. 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 period is 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) an investment rate of return of 7.25%, and 2) a 1% cost of living increase 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:

	June 30, 2005	June 30, 2006[1]
Annual Required Contribution	$ 8,199,297	$ 10,292,548
Interest on Net Pension Obligation	(459,148)	(411,395)
Adjustment to Annual Required Contribution	523,235	468,817
Annual Pension Cost	$ 8,263,384	$ 10,349,970
Contributions Made	(7,604,720)	(9,398,859)
Increase (Decrease) in Net Pension Obligation	$ 658,664	$ 951,111
Net Pension Obligation, Beginning of Year	(6,333,080)	(5,674,416)
Net Pension Obligation, End of Year	$ (5,674,416)	$ (4,723,305)

1 The content of the Retirement Plans is from the Indiana University Financial Report 2006-07- Note 14. Actuarial data for 2007 was not available at the time of that report.

Fiscal Year Ended June 30	Annual Pension Cost (APC) [1]	Percentage of APC Contributed	Net Pension Obligation
2004	$ 7,028,546	160%	$ (6,333,080)
2005	8,263,384	92%	(5,674,416)
2006	10,349,970	91%	(4,723,305)

Source: Financial Management Services from financial report of the University for the fiscal year ended June 30, 2007 – Note 14

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

Academic and Professional Staff Employees Appointed academic and professional staff employees, with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. The University contributed $67,175,099 during fiscal year ended June 30, 2007 and $65,722,920 during fiscal year ended June 30, 2006 to TIAA-CREF for the IU Retirement Plan. The University contributed $15,301,540 during fiscal year ended June 30, 2007 and $13,824,681 during fiscal year ended June 30, 2006 to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,484 and 8,348 employees were directing University contributions to TIAA-CREF as of June 30, 2007 and 2006, respectively. In addition, 2,785 and 2,569 employees were directing University contributions to Fidelity Investments as of June 30, 2007 and 2006, respectively.

In addition to the above, the University provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above. There were 1,367 and 1,427 active employees on June 30, 2007 and 2006, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP); a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The

University contributed $2,993,961 and $2,795,273 to IUSERP during fiscal years ended June 30, 2007 and 2006, respectively. The same class of employees hired prior to January 1, 1989, is covered by the 18/20 Retirement Plan, a combination of IRC 457(f) and 403(b) provisions. The 18/20 Retirement Plan allows this group of employees to retire as early as age 64, assuming 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, 2007 the University made total payments of $31,683,164 to 409 individuals receiving 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2006, the University made total payments of $29,585,217 to 383 individuals receiving 18/20 Retirement Plan payments.

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

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. That report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost The University has established an early retirement plan for eligible employees to accommodate IRS requirements, and as authorized by the Trustees of Indiana University. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2007 and 2006, 99 and 102 employees, respectively, were eligible to participate. University contributions related to this plan totaled $1,831,680 and $1,768,622 for fiscal years ended June 30, 2007 and 2006, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution.

Liabilities are based on the projected accrued benefit actuarial cost method with a normal cost determined for participants who have not yet attained the assumed full retirement age. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable.

Actuarial assumptions include a 7% asset rate of return and future salary increases of 4% compounded annually.

The following schedule shows the funding policy contributions for fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation dated March 9, 2006:

	June 30, 2005	**June 30, 2006**	**June 30, 2007**
Cost of benefits earned during the year	$896,866	$926,091	$984,562
Amortization of unfunded actuarial accrued liabilities	958,092	726,827	727,288
Interest	129,847	115,704	119,830
Funding policy contribution	$1,984,805	$1,768,622	$1,831,680

Source: Financial report of the University for the fiscal year ended June 30, 2007 – Note 14

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

Other Benefits The University provides term life insurance benefits to former employees with retiree status. Retiree status is based on age and service at termination date. This benefit is underwritten through an insurance company. During fiscal years ended June 30, 2007 and 2006, the University contributed $645,864 and $533,146, respectively, to this coverage.

Risk Management and Insurance Information

All facilities of the University are insured under a blanket form policy which covers each building/facility for loss up to the total of its replacement cost value for the perils of fire and extended coverage, subject to an $800,000,000 limit. There is one deductible not in excess of $100,000 for each occurrence. The University is self-insured for the first $100,000 on building and contents. The next $5,900,000 is insured by the University's captive insurance company, Old Crescent Insurance, of which $5,000,000 of coverage is 100% reinsured by FM Global. An additional $800,000,000 of coverage is available in addition to the initial $6,000,000 of coverage. The University, through its comprehensive general liability policy, provides insurance for liability to third parties arising from accidents on the various premises of the University. The University maintains a program of self-insurance on liability to third parties for the first $100,000; Old Crescent Insurance provides the next $900,000 layer of coverage, with an additional $50,000,000 of excess liability (commercial) coverage above that. See the Indiana University Financial Report, 2006-07 (Appendix B) note regarding "Risk Management."

APPENDIX B

FINANCIAL REPORT OF THE UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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INDIANA UNIVERSITY

Financial Report 2006-07

INDIANA UNIVERSITY

Financial Report 2006–07

INDIANA UNIVERSITY

Financial Report 2006–07

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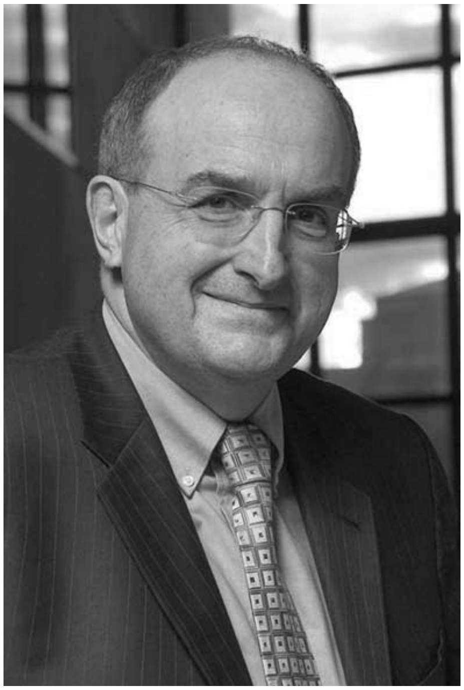


Michael A. McRobbie
President, Indiana University

The Honorable Mitchell Daniels, Jr.
Governor, State of Indiana
State House
Indianapolis, IN 46204

Dear Governor Daniels:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2006-07 Financial Report.

Indiana University represents the genius of great universities—institutions that have lasted longer than just about any in human history. That genius is their ability to adapt while preserving their fundamental missions of education and research.

Widespread changes, involving many people, units, and schools are occurring on all of IU's campuses and medical centers. They will have lasting effects on the future of the university and the state of Indiana. In many areas they represent deeper changes that are affecting all of higher education. My responsibility as IU's 18th president will be to accelerate and manage the changes impacting our institution.

Additionally, the university, as a whole, has a deep-seated responsibility to the citizens of Indiana. IU now boasts more than a half million graduates. Currently, 250,000 of our alumni live and work in Indiana. They expect us to provide a great education to their children and to fully engage in the life of our state.

During the 2006-07 academic year, IU demonstrated its commitment to its fundamental missions and continued to seek new avenues for engagement with the state through economic development and community service.

The year was also characterized by a number of significant achievements made toward ensuring 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.

Pursuing Academic Excellence

For nearly two centuries, IU has provided high quality, accessible education to the state's citizens. More recently, the university has been strongly committed to creating an educated workforce that supports the state's transition away from its reliance on heavy manufacturing and agriculture to a 21st century, knowledge-based economy.

Over the last 10 years, IU has conferred:

- 67 percent of the state's degrees in human services and public administration;
- 47 percent of the state's bachelor's, master's, and doctorates in education;
- 41 percent of the state's degrees in communication and information technologies; and
- 43 percent of the state's degrees in health and life sciences.

In fact, IU is the leading producer of graduates in all but one of the top ten "Hot Jobs" in Indiana.

Additionally, IU trained more than 50 percent of Indiana's physicians, 64 percent of optometrists, 40 percent of nurses, 75 percent of lawyers, and 90 percent of dentists.

We provide the educational foundation for many of this state's professional leaders.

Support for the Future

Our excellence in teaching and research is reflected in the resounding support we traditionally receive from the private sector.

In fiscal year 2007, IU received $278.5 million from grant makers and a record number of donors. This sum of gifts from donors and non-governmental research grants—or Total Voluntary Support—reached the third-highest level in IU history. The total included $171.5 million in gifts through the IU Foundation and Riley Children's Foundation and $107 million in grants.

Among the extraordinary gifts received in the last fiscal year was a contribution of $50 million from Melvin and Bren Simon of Indianapolis for the IU Cancer Center. The gift is being used to create a $25 million research fund, called the Joshua Max Simon Research Endowment, that will recruit and retain internationally accomplished researchers to the School of Medicine and support laboratory research programs at the cancer center. The other half of the gift will fund the expansion of the cancer center's patient-care facility, a collaboration between the Indiana University School of Medicine and Clarian Health.

Another major gift came from the Lilly Endowment, which contributed $40 million to the IU Center on Philanthropy, located on the IUPUI campus, to permanently endow a portion of its operating costs. The center's mission is to increase understanding of giving and volunteering, improve professional practice, and enhance participation in philanthropy.

Through the immense generosity of a record number of donors, we are able to readily adapt to widespread changes in higher education, to build upon our world-class education and research environment, and to expand our relationships with institutions around the globe. Their support will allow us to achieve our grandest aspirations and create an even more successful future for IU.

Accessibility and Affordability

IU is strengthening its environment of excellence through its support of underrepresented students and investments in increasing diversity and equity.

Our campuses in Indianapolis and Gary are working to improve graduation rates among African American men, and IU Kokomo is encouraging students who are a few credits short of a degree to return and complete their education. Additionally, IU Bloomington has created a series of university-funded financial aid incentives designed to give the state's best and brightest high school students more reason to stay in Indiana. They are also designed to eliminate potential barriers to qualified students from low- and moderate-income families.

One of those initiatives is the 21st Century Covenant Scholarship. This scholarship supplements the state of Indiana's 21st Century Scholarship awards—which are designated toward tuition and fees—with enough funding to cover the full cost of attendance, including books, room, and board. This new "Covenant" is offering hope to disadvantaged young people, shifting their focus from financial concerns to academic achievement.

Research and Engagement

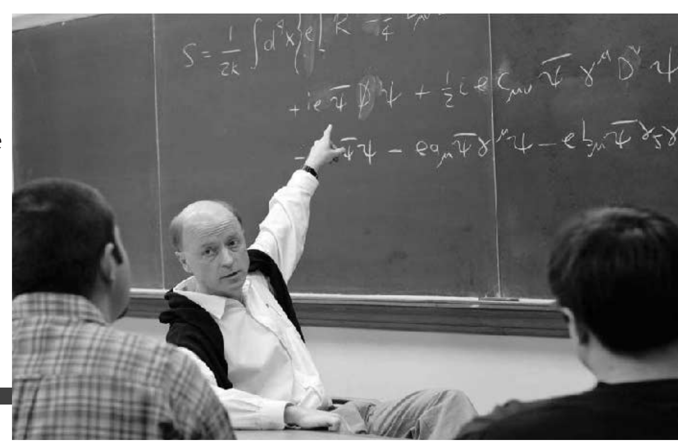
During fiscal year 2007, Indiana University faculty were awarded more than $433 million in sponsored funding in support of their research and service activities. This figure is the second highest fiscal year total in the university's history, and it marks an increase of 2.9 percent over the sponsored research totals for FY 2006. IU attracted more sponsored research in this past fiscal year than all of Indiana's other 2-year and 4-year public institutions combined.

This impressive achievement by IU's faculty comes at a time when success rates for proposals to the National Institutes of Health (NIH) and the National Science Foundation (NSF) have been steadily declining. From 2000 to 2006, success rates have dropped from one in three to one in five.

Our "Big Red" supercomputer, which we acquired last year, is supporting the work of our researchers in fields of study ranging from astronomy and physics to ethnomusicology and medical sciences. It is providing powerful and sophisticated high-performance computing facilities for IU's life scientists, while at the same time providing excellent support for computing that involves massive amounts of scientific data. Furthermore, it is enabling promising new business innovations and collaborations within Indiana.

The IU Research and Technology Corporation (IURTC) continues to stimulate growth in Indiana's technology sectors by helping companies access commercially viable technology developed by IU faculty with the ultimate goal of creating jobs and growing the state's economy. IURTC received 216 invention disclosures, issued 70 licenses, and helped form five new businesses through the Emerging Technology Center in fiscal year 2007. The faculty and staff filed a record 116 patent applications. The record number of patents is, in large part, a result of IU's increasing efforts to encourage IU faculty to develop their research work with an eye for the market.

The IURTC, as well as our new medical education centers in South Bend and Fort Wayne and



business incubators and tech parks in Kokomo, Richmond, and New Albany, demonstrate the impressive depth and breadth of IU's statewide impact.

Improving Hoosier Health

By strengthening its research programs in the life sciences, IU has increased its impact on communities across the state, not only in terms of economic development but also in concrete improvements in Hoosier health.

We are grateful to the state of Indiana for giving its support to the Indiana Life Sciences Initiative, which builds upon Indiana's national leadership in the life and health sciences. Indiana has the second-highest concentration of biopharmaceutical jobs in the nation, and more than 578,000 Indiana jobs are directly or indirectly tied to the health industry. These jobs account for more than $21 billion in wages and $8 billion in federal and state taxes paid—or more than 20 percent of Indiana's tax base.

We unveiled the strategic plan for IU's life sciences future in February 2006, but the Life Sciences Initiative actually started several years before with the establishment of the Indiana Genomics project, funded generously by the Lilly Endowment in 2000. It was dramatically expanded at IU Bloomington in 2004 with the establishment of the Indiana Metabolomics and Cytomics Project (METACyt). METACyt, which was also funded by the Lilly Endowment with a generous $53 million grant, is a major multidisciplinary project that currently supports collaborative research principally from the departments of biology, chemistry, and psychological and brain sciences.

We plan to widen our life sciences initiative to more fully involve health sciences, a natural extension that includes research into preventable diseases that impact many Hoosiers. We will also give special attention to health disparities among low income and minority populations.

An even stronger life sciences economy is vital to the state's prosperity in a 21st century, global economy. It also means more and better jobs, and better public health in a state that lags in most measures of wellness.

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, 2007. 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. In June 2007, Indiana University received its highest long-term bond rating from Moody's Investors Service, moving from an Aa2 to an Aa1. This firmly establishes the university in an elite category as one of only eight public colleges and universities in the country to achieve a rating higher than Aa2. The university has strengthened its capital finance framework through the development of new policies and guidelines, including a Capital Finance Policy with accompanying comprehensive Internal Credit Guidelines, an Internal Loan Policy, and a Derivative/Swap Policy. Finally, with the approved 2007-2009 biennial budget, Indiana University is exiting a multi-year period of stagnant levels of State Appropriations.

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

- Focus on affordability of an Indiana University education with an emphasis in development of new financial aid opportunities,
- Develop a strategic facility funding plan that supports the institutions' life sciences strategic mission, while maintaining excellence in teaching facilities,
- Maintain accountability for the use of resources for administrative functions incorporated with planning for greater effectiveness and efficiency,
- Review internal businesses to validate ties to the academic mission and priorities,
- Support the creation of a detailed housing plan for the institution's core Bloomington Campus,
- Strengthen Internal Audit follow-up to incorporate expert financial consulting at the school and department level,
- Develop investment initiatives that capitalize on affiliated organization partnerships and maximize the institution's return on investments.

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, 2007 along with comparative data for the fiscal years ended June 30, 2006 and 2005. 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 for major variances which occurred between fiscal years 2006 and 2007 as well as information regarding capital asset and debt administration, and an economic outlook.

Statement of Net Assets

Total assets at June 30, 2007 were $3.47 billion, an increase of $212.8 million over the prior fiscal year. Net capital assets comprised $1.93 billion of the $3.47 billion in assets.

Total liabilities were $1.27 billion at June 30, 2007, which was a $37.7 million increase since June 30, 2006. Noncurrent liabilities comprised 61.9%, or $788.9 million, of total liabilities at June 30, 2007.

Total net assets at June 30, 2007 were $2.19 billion, a $175.1 million increase over the prior year, or an 8.7% increase in net assets. The breakout of net assets is shown below for the last three years:

Comparative Statement of Net Assets

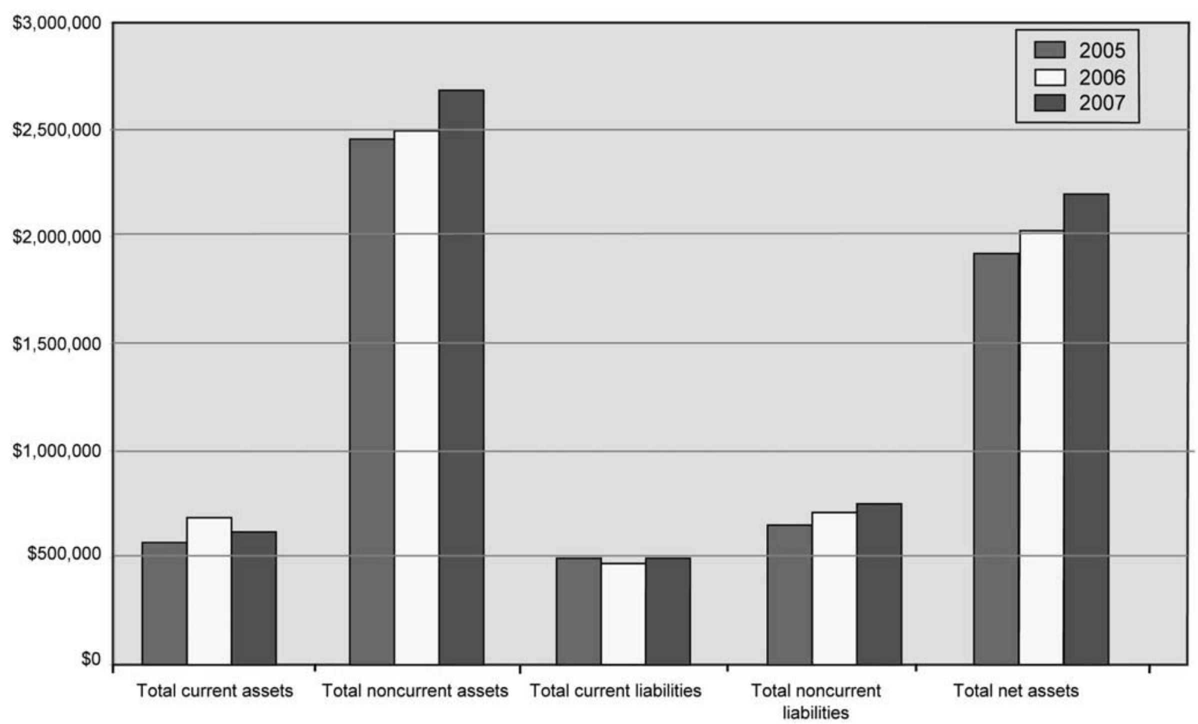
(in thousands of dollars)

	June 30, 2007	*June 30, 2006*	*June 30, 2005*
Invested in capital, net of related debt	$1,304,656	$1,259,567	$1,205,240
Restricted net assets	223,977	191,247	169,131
Unrestricted net assets	663,995	566,671	520,294
Total net assets	**$2,192,628**	**$2,017,485**	**$1,894,665**

The following chart displays the composition of assets and liabilities, both current and noncurrent, and net assets at June 30, 2005, 2006, and 2007:

Comparison of Statement of Net Assets 2005, 2006, and 2007

(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, 2007	June 30, 2006	June 30, 2005
Operating revenues	$1,753,670	$1,624,947	$1,546,123
Operating expenses	(2,239,107)	(2,128,006)	(2,048,464)
Total operating loss	(485,437)	(503,059)	(502,341)
Nonoperating revenues	680,607	637,338	634,367
Nonoperating expenses	(35,952)	(32,593)	(29,658)
Total other revenues	15,925	21,134	16,774
Increase in net assets	**$ 175,143**	**$ 122,820**	**$ 119,142**

Revenues

- University operating revenues for fiscal year ended June 30, 2007 increased by 7.9% over the previous fiscal year. The changes in revenues are as follows:
- Student fee revenues, net of scholarship allowances, were $692.3 million in 2007 compared to $644.5 million in 2006, an overall increase of 7.4%. This increase was due to a combination of increased student fee rates and enrollment growth. Student fees were $600.3 million in 2005.
- Federal grants and contracts were $375.8 million in 2007, an increase of 22.7% over the previous fiscal year. This category of revenue includes funds received from the government for financial aid as well as sponsored research, training, and other sponsored activities revenue.
- $10.6 million in state and local grants and contracts were received for the fiscal year, compared to $18.9 million in 2006.
- Nongovernmental grants and contracts were $93.6 million, a decrease of $19.7 million over the previous fiscal year.
- Sales and services of educational units increased from $48.2 million to $49.1 million. This was a 1.8% increase from 2006. In 2005 sales and services were $46.9 million.
- Other operating revenue of $185.9 million was an increase of 7.4% over the previous fiscal year of $173.1 million. This includes revenue to the School of Medicine from private practice plans and hospital agreements. Between 2006 and 2005 other operating revenue experienced an increase of less than 1%.
- Auxiliary enterprises experienced a second consecutive year of growth, with revenue up 8.1% or $25.9 million. Revenue in this category in 2006 and 2005 was $320.5 million and $312.1 million, respectively.

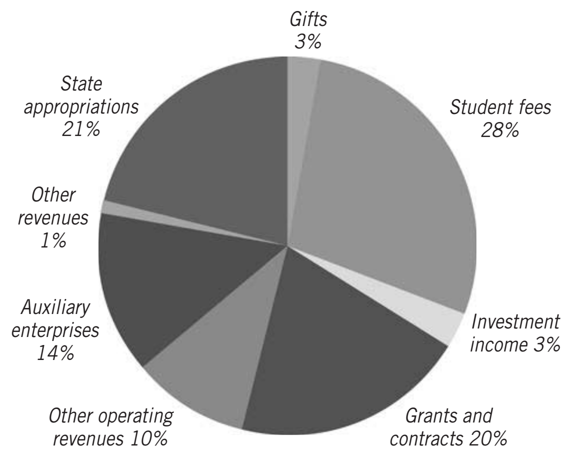
Total nonoperating revenues increased 6.8% from $637.3 million for fiscal year ended June 30, 2006 to $680.6 million for fiscal year ended June 30, 2007 and includes the following:

- State appropriations, the largest single source of nonoperating revenue for the university, decreased for the second year in a row from $528.6 million in 2006 to $527.7 million in 2007. In 2005 state appropriations were $530.6 million.
- Investment income increased 80.1%, from $47.5 million for fiscal year ended June 30, 2006 to $85.5 million for fiscal year ended June 30, 2007. Between fiscal years 2005 and 2006, this category experienced an increase of 1.5%.
- Gifts increased 10% to $67.4 million, or $6.1 million over the previous fiscal year. Gifts totaled $61.3 million in 2006 and $57.1 million in 2005.

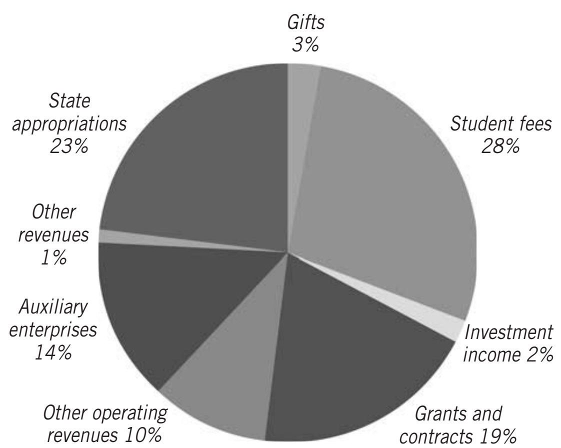
Other revenues included capital appropriations of $10.5 million, an increase of $8 million over the previous fiscal year; capital gifts and grants of $3.3 million; and additions to permanent endowments of $2.1 million.

In summary, total revenues of the university increased $166.8 million to $2.45 billion, an overall increase of 7.3%. Comparably, 2006 total revenues increased 3.9% and the 2005 increase was 4.1%. The composition of the 2007 and 2006 revenues is displayed in the following graphs:

Total Revenues 2007



Total Revenues 2006



Expenses

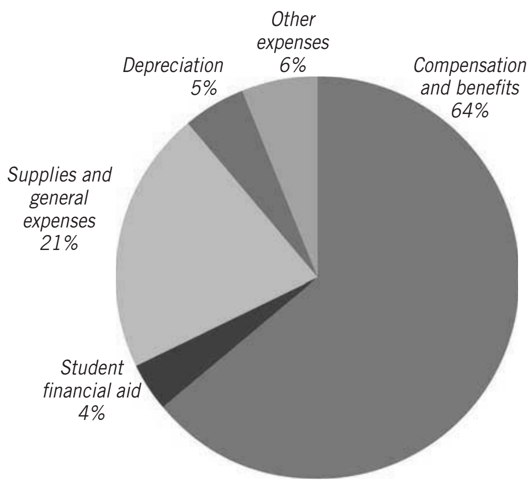
Operating expenses were $2.24 billion for fiscal year ended June 30, 2007. This was an increase over the previous fiscal year of $111.1 million, or 5.2%. Changes in the major categories of expenses are as follows:

- Total compensation is comprised of academic and staff salaries, hourly compensation, and benefits. This category increased by 5.5% for the fiscal year, from $1.38 billion to $1.46 billion. Staff salaries influenced the increase in this category with a 7.9% increase over the prior year, closely followed by a benefit expense increase of 6.6%. Fiscal year ended June 30, 2005 had $1.33 billion in total compensation and benefits.
- Student financial aid increased from $93.4 million to $98.1 million. This was a 5% increase over the previous fiscal year. 2006 experienced an 8.4% increase over 2005.
- Energy and utilities increased 4.1%, from $50.3 million in 2006 to $52.4 million in 2007. This increase was the lowest in energy and utilities experienced in the last three fiscal years. The 2006 and 2005 increases were 13.5% and 7.8%, respectively.
- Travel expenses increased 8.6% in 2007, from $33.4 million to $36.2 million. Between 2005 and 2006 the university experienced an 8.1% increase in travel expenses.
- Supplies and general expense increased by 5.1% in 2007, from $461.3 million to $484.7 million. The 2005 expense for this category was $449.4 million.
- Depreciation expense of $111.9 million in 2007 is $2.6 million more than in 2006.

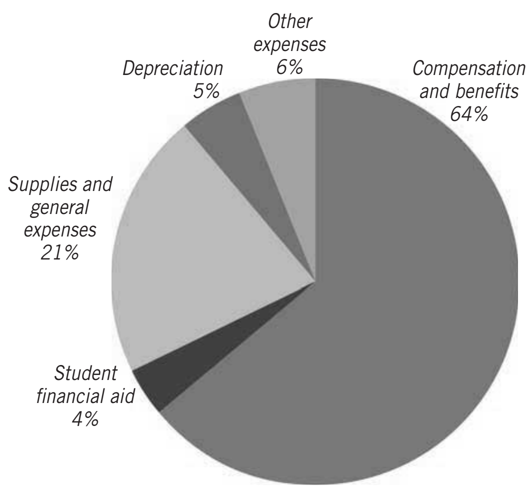
Nonoperating expense, interest expense, increased 10.3% between 2006 and 2007, from $32.6 million to $36 million.

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

Total Expenses 2007



Total Expenses 2006



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. No significant capital contributions were brought into the university for the 2007 fiscal year.

Net Assets

Income before other revenues, expenses, gains, or losses was $159.2 million and $101.7 million for fiscal years ended 2007 and 2006, respectively. This represents an increase of 56.6%. Between 2005 and 2006 this amount decreased by 0.7%.

Net assets increased by $175.1 million over the previous fiscal year. Total net assets were $2.19 billion for fiscal year 2007, compared to net assets at June 30, 2006 of $2.02 billion. This was an 8.7% increase in net assets. Comparatively, net assets increased 6.9% between 2005 and 2006.

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 the user 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.

Cash Flows for the Period

(in thousands of dollars)

	Fiscal Year Ended:		
	June 30, 2007	*June 30, 2006*	*June 30, 2005*
Net cash provided (used) by:			
Operating activities	($385,619)	($409,784)	($329,305)
Noncapital financing activities	615,061	588,661	588,561
Capital and related financing activities	(194,322)	(101,763)	(145,675)
Investing activities	(128,010)	75,513	(10,761)
Net increase (decrease) in cash	(92,890)	152,627	102,820
Beginning cash and cash equivalents	476,676	324,049	221,229
Ending cash and cash equivalents	$383,786	$476,676	$324,049

Cash used by operating activities decreased by $24.2 million. The use of cash was impacted by a $60.5 million increase from the previous year in payments to employees and a $29.4 million increase in payments to suppliers. These increases in cash outlays were offset by increases of $53.3 million from student fees, $29.5 million in contract and grant receipts, $18.3 million in sales and services of educational activities, and $23.8 million in auxiliary enterprise receipts.

Noncapital financing activities increased $26.4 million. State appropriations comprised the largest portion of the increase with a $14.8 million increase over the previous fiscal year. This increase occurred after level cash flows from state appropriations in 2005 and 2006. Gifts and grants received for other than capital purposes increased from $60.4 million in 2006 to $71.4 million in 2007.

Cash flows from capital and related financing activities decreased by $92.6 million. Several drivers of this decrease included a decrease in the proceeds from issuance of capital debt from $141 million in 2006 to $85 million in 2007. Cash outlays affecting this category included an increase in the purchase of capital assets between 2006 and 2007 of $48.1 million and a decrease in principal paid on capital leases of $25.8 million.

Investing activities cash flows decreased $203.5 million, reflecting a movement from cash and cash equivalents to noncurrent investments.

Health Information and Translational Science buildings, IUPUI

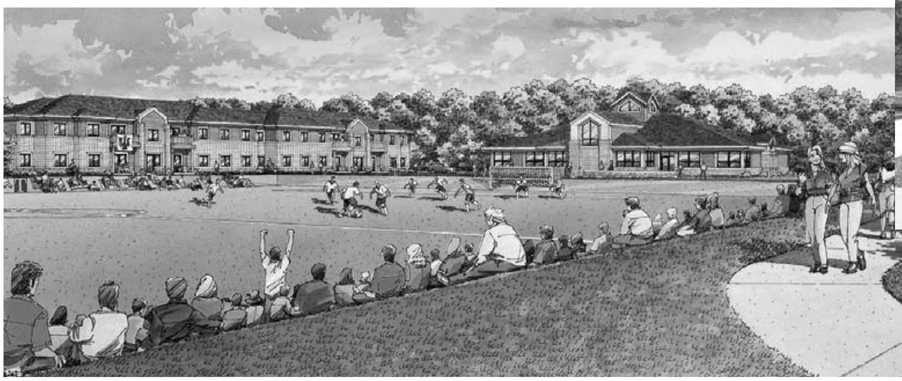
Several items will impact cash flows in fiscal year 2008. Tuition increases averaged close to 7.2% for all seven campuses. The university plans to issue approximately $250 million of bonds during fiscal year 2008, of which $140 million will be used to refund tax exempt commercial paper that is outstanding as of June 30, 2007.

Campus Center construction, IUPUI

Capital Asset and Debt Administration

The university made significant investments in capital during fiscal year 2007 (see Note 7). New facilities were funded by bond and commercial paper issues, renewal and replacement reserves, and gifts. The more significant facilities that came on-line this year are as follows:

- The Health Information and Translational Science Buildings on the IUPUI campus opened in December 2006. The facility covers 168,402 gross square feet at a total cost of $37.4 million. Housed in the facility will be the Regenstrief Institute for Health Care Research, IU Center for Bioethics, Bowen Research Center, IUSM Department of Public Health, Bioinformatics and Biostatistics. Additional features include a computing intensive environment for academic research and data analysis, teleconferencing facilities, an auditorium for 200 people, seminar rooms, and other assembly areas to conduct meetings and workshops for researchers from across the country and around the world.
- The Service Building for the Bloomington Physical Plant opened in February 2007. This facility houses the University Architect's Office, Bloomington Physical



Above: Pedestrian bridge which will connect student housing to IUSB campus.

Left: Proposed student housing, IU South Bend

Plant, Bureau of Facilities Programming, Department of Facilities, and some offices of the Vice President for Administration. The building cost $8.6 million dollars and occupies 78,252 gross square feet.

Several facilities are being planned and designed that will further enhance the mission of the university.

- Construction has begun on a new Campus Center on the IUPUI campus. The estimated project cost is $50 million. Major tenants of the facility include the Food Court, Bookstore, a 1000-person Multi-purpose Room, a Theater, Student Life and Diversity Programs, Enrollment Center, retail functions, and an array of student lounges and meeting spaces. The project encompasses 250,000 gross square feet and the estimated completion of the project is October 2007.
- During the 2006-07 fiscal year, a new student housing complex for the South Bend campus was approved. The facility will provide approximately 400 beds in different apartment configurations. The current project is estimated to cost $17.9 million, and will be financed primarily with revenue bonds. The project is estimated to be completed during the 2008-09 school year.
- The Southeast campus also received approval to construct a student housing facility. Seven lodge-style buildings will accommodate approximately 400 beds in two-bedroom and four-bedroom units organized around a large common space. The project is estimated to cost $20.1 million and will be financed with revenue bonds. The expected completion date is August 2008.
- A new Fort Wayne Center for Medical Education located on the Indiana University-Purdue University Fort Wayne campus was approved. The facility will include approximately 24,700 assignable square feet and will be a part of the statewide program to upgrade the Centers for Medical Education and locate them in modern facilities. The center will contain state of the art classrooms, student computer facilities, teaching laboratories, a gross anatomy lab, and four patient exam rooms. Space will be provided for shared research equipment such as instrumentation labs, tissue culture facilities, cold rooms and

Proposed student housing, IU Southeast

an incubator room for microbiology research. The facility is expected to cost $14 million and will be funded by the State of Indiana through the issuance of bonds.
- The Research III building will be located on the IUPUI campus. The building will contain approximately 254,000 gross square feet. The primary purpose of this facility is to house scientific discovery that can lead to innovative and life-saving therapies, especially in cancer treatment. The building is designed to promote collaboration among principal investigators and faculty researchers in multiple disciplines and to increase appli-

cation of basic research in patient care, now called translational research. Programs located in this facility will include cancer, neuroscience, and immunobiology. The building will incorporate research laboratories and laboratory support areas including instrumentation rooms, tissue culture rooms, and specialized testing rooms. The building will include a BSL3 Research Lab Suite, Vector Production Suite and a Cell Repository/DNA Serum Bank. The building will also support administrative space with an auditorium and shared conferencing facilities. The facility is estimated to cost $83.3 million with an estimated occupancy date of January 2009.

Research III construction, IUPUI

- A $55 million athletic facilities project was approved in September 2006. The facilities will be financed through a combination of revenue bonds and fundraising. The plan includes four facilities:
  - The Memorial Stadium North End Zone project has a targeted completion date of December 2008. The facility will house a state-of-the-art development area used for more than 600 Indiana student athletes. In addition, coaches' offices and meeting space for the football program, a Hall of Champions spotlighting successful IU student athletes and teams, and administrative offices will be a part of the plan.
  - The Indiana Basketball Development Center will serve as the daily headquarters for the men's and women's basketball programs, featuring practice courts, locker rooms, coaches' offices and meeting rooms for each team, as well as a training room and strength development area. The targeted completion date is February 2009.
  - The Student Development and Compliance unit at Indiana University will relocate as a part of the facilities plan, moving from a modest 2,500 square foot space in Assembly Hall to a spacious and renovated 18,000 square foot area located on the east side of Memorial Stadium. The targeted completion date is in the spring of 2009. Classrooms, private tutoring space, study areas, computer labs and staff offices will all be housed in the Academic Center for Excellence.
  - A Baseball and Softball Complex that is slated for completion in March of 2009. Both stadiums will feature a state-of-the-art playing surface, press box, indoor batting cages, and bullpens. Likewise, the baseball and softball projects will include new locker rooms and offices adjacent to the stadiums.

In June 2007, the university issued University Tax-Exempt Commercial Paper Notes in the amount of $85 million. Commercial paper notes are issued by the university from time to time to provide for the temporary financing or refinancing of costs related to certain facilities on all of the Indiana University campuses, including costs of issuance of the notes.

The university's credit rating on bond debt obligations was last reviewed and updated in 2007. Moody's Investors Service upgraded the general credit rating of the university from Aa2 with a favorable outlook to Aa1 on June 19, 2007. Moody's indicated that the upgrade was "based on continued strengthening of the university's financial position with consistently favorable operating performance and cash flows, continued growth in financial resources, as well as the financial strengthening of the State of Indiana." Standard & Poor's Credit Market Services reaffirmed a rating of 'AA' on June 20, 2007. The university's tax-exempt commercial paper notes carry ratings of P-1 from Moody's dated June 19, 2007 and A-1+ from Standard & Poor's dated June 20, 2007, and F1+ from Fitch Ratings dated December 8, 2005.

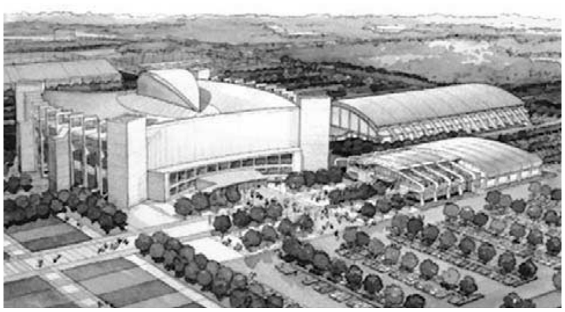
Economic Outlook

The State of Indiana provides approximately 25% of Indiana University's total financial resources during a fiscal year. The state continued its fiscal recovery during FY 2007. Actual revenue collections exceeded forecast by nearly $300 million, or 2.4%. Due to spending constraints during the recently completed fiscal year and higher revenues than projected, revenues exceeded ongoing spending by nearly $500 million.

The State of Indiana's 2001–03 Appropriation Act, HEA 1001, enacted by the 2001 Indiana (regular session) General Assembly and signed into law by the governor, gave authority to the State Budget Agency to distribute eleven-twelfths of the budgeted amount for the 2002 fiscal year state appropriation for all higher education institutions in the State of Indiana. Additional language to this act allowed this deferral to be carried forward to fiscal years 2003 and 2004. The State Budget Agency exercised the postponement of a payment in fiscal years 2003 and 2004. Biennial budgets enacted in 2003 and 2005 and approved by the governor also included language permitting the deferral of state appropriations to be carried forward through FY 2007. For Indiana University, this amount was $38.4 million in cash that was not received for the twelfth payment. Further action was taken by the general assembly in an amendment to HEA1134 in 2006 to reduce the accrued payment delay balance for state educational institutions and to appropriate this same amount for each school for use for general repair and rehabilitation. Under the act, the amount appropriated shall be treated as reducing any claim that the total system of the state educational institution has to one-twelfth (1/12) of the amount previously budgeted for the state educational institutions. The amount of the appropriation for Indiana University was $15.7 million and was used for repair and rehabilitation. The fiscal year biennial budget bill enacted during the 2007 legislative session, HEA 1001, will provide for distribution of the remaining state funds deferred in fiscal year 2002.

Overall, the financial position of the university continues to be strong. Student enrollment for the university is projected to remain strong during the 2006-07 academic year.

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 unknown variations having a global effect on virtually all types of business operations.




Athletic facilities projects, IU Bloomington. Above left, Assembly Hall; above right, Memorial Stadium

Indiana University Statement of Net Assets

(in thousands of dollars)

	June 30, 2007	*June 30, 2006*
Assets		
Current assets		
Cash and cash equivalents	$ 383,786	$ 476,676
Accounts receivable, net	130,870	125,351
Current portion of notes and pledges receivable	10,881	9,734
Inventories	15,659	17,069
Short-term investments	20,506	16,126
Securities lending assets	97,985	93,549
Other assets	20,935	13,893
Total current assets	680,622	752,398
Noncurrent assets		
Accounts receivable	2,426	24,147
Notes and pledges receivable	71,515	69,655
Investments	778,704	568,052
Capital assets, net	1,933,451	1,839,660
Total noncurrent assets	2,786,096	2,501,514
Total assets	**3,466,718**	**3,253,912**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	197,143	169,536
Deferred revenue	147,391	167,887
Current portion of capital lease obligations	1,570	1,526
Current portion of long-term debt	41,067	37,224
Securities lending liabilities	97,985	93,549
Total current liabilities	485,156	469,722
Noncurrent liabilities		
Capital lease obligations	9,942	10,781
Notes payable	141,290	56,449
Assets held in custody for others	65,923	65,889
Deferred revenue	24,778	44,071
Bonds payable	534,898	578,391
Other long-term liabilities	12,103	11,124
Total noncurrent liabilities	788,934	766,705
Total liabilities	**1,274,090**	**1,236,427**
Net assets		
Invested in capital assets, net of related debt	1,304,656	1,259,567
Restricted for:		
Nonexpendable - endowments	73,025	64,991
Expendable		
Scholarships, research, instruction and other	91,866	67,490
Loans	22,357	20,221
Capital projects	13,247	15,175
Debt service	23,482	23,370
Unrestricted	663,995	566,671
Total net assets	**2,192,628**	**2,017,485**
Total liabilities and net assets	**$3,466,718**	**$3,253,912**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Financial Position
As of June 30, 2007

	Unrestricted		Temporarily Restricted		Permanently Restricted		
Assets:	**Foundation**	**Agency**	**Foundation**	**University**	**Foundation**	**University**	**Total**
Cash and cash equivalents	$ -	$ 8,348,134	$ -	$ 94,025,523	$ -	$ -	$ 102,373,657
Collateral under securities lending agreement	8,626,040	26,335,148	451,341	89,422,213	2,535,223	68,831,162	196,201,127
Receivables and other assets	6,355,769	286,021	11,609	2,518,565	39,402	6,994,422	16,205,788
Net investment in direct financing leases	9,281,389	-	-	-	-	-	9,281,389
Promises to give, net	1,478,462	-	2,176,963	53,780,905	1,068,245	74,429,524	132,934,099
Investments	71,167,477	217,273,064	5,175,043	745,610,995	20,916,371	565,791,332	1,625,934,282
Property, plant and equipment, net	45,389,887	-	-	-	-	-	45,389,887
Total assets	$ 142,299,024	$ 252,242,367	$ 7,814,956	$ 985,358,201	$ 24,559,241	$ 716,046,440	$ 2,128,320,229
Liabilities and net assets:							
Liabilities:							
Accounts payable and other	$ 3,911,147	$ 2,504,155	$ 29,774	$ 5,602,171	$ 325,451	$ 10,704,072	$ 23,076,770
Payable under securities lending agreement	8,626,040	26,335,148	451,341	89,422,213	2,535,223	68,831,162	196,201,127
Debt	21,804,686	-	-	-	-	58,083	21,862,769
Accrued trust obligation to life beneficiaries	3,621	-	3,246,639	6,746,010	455,948	20,768,584	31,220,802
Due to (from)	54,582,771	-	68,221	(55,048,541)	3,698	393,851	-
Interfund financing	(8,381,531)	-	-	8,381,531	-	-	-
Assets held for the University	-	206,239,716	-	-	-	-	206,239,716
Assets held for University affiliates	-	17,163,348	-	-	-	-	17,163,348
Total liabilities	80,546,734	252,242,367	3,795,975	55,103,384	3,320,320	100,755,752	495,764,532
Net assets	61,752,290	-	4,018,981	930,254,817	21,238,921	615,290,688	1,632,555,697
Total liabilities and net assets	$ 142,299,024	$ 252,242,367	$ 7,814,956	$ 985,358,201	$ 24,559,241	$ 716,046,440	$ 2,128,320,229

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, 2007	Fiscal Year Ended June 30, 2006
Operating revenues		
Student fees	$ 790,284	$ 730,113
Less scholarship allowance	(98,006)	(85,566)
Federal grants and contracts	375,774	306,219
State and local grants and contracts	10,569	18,945
Nongovernmental grants and contracts	93,636	113,378
Sales and services of educational units	49,108	48,226
Other revenue	185,890	173,112
Auxiliary enterprises (net of scholarship allowance of $12,245 in 2007 and $11,237 in 2006)	346,415	320,520
Total operating revenues	**1,753,670**	**1,624,947**
Operating expenses		
Compensation and benefits	1,455,869	1,380,420
Student financial aid	98,061	93,401
Energy and utilities	52,409	50,334
Travel	36,231	33,373
Supplies and general expense	484,677	461,254
Depreciation and amortization expense	111,860	109,224
Total operating expenses	**2,239,107**	**2,128,006**
Total operating loss	**(485,437)**	**(503,059)**
Nonoperating revenues (expenses)		
State appropriations	527,747	528,615
Investment income	85,462	47,452
Gifts	67,398	61,271
Interest expense	(35,952)	(32,593)
Net nonoperating revenues	**644,655**	**604,745**
Income before other revenues, expenses, gains, or losses	**159,218**	**101,686**
Capital appropriations	10,467	2,471
Capital gifts and grants	3,311	17,008
Additions to permanent endowments	2,147	1,655
Total other revenues	**15,925**	**21,134**
Increase in net assets	**175,143**	**122,820**
Net assets, beginning of year	**2,017,485**	**1,894,665**
Net assets, end of year	**$2,192,628**	**$2,017,485**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted		Permanently Restricted		Total
		Foundation	University	Foundation	University	
Revenue and support:						
Contributions, net	$ 2,533,029	$ 300,603	$ 80,074,882	$ 410,215	$ 104,500,862	$ 187,819,591
Investment income including net gains (losses), net of outside investment management fees	20,492,528	-	220,655,555	49,515	(51,228)	241,146,370
Management/administrative fees	16,575,058	-	(12,081,067)	-	(2,086,963)	2,407,028
Grants	-	-	4,020,832	-	-	4,020,832
Other income	11,014,750	-	3,787,657	12	2,174,386	16,976,805
Development service fees from the University	4,640,607	-	-	-	-	4,640,607
Net assets released from restriction	87,064,102	-	(87,305,000)	-	240,898	-
Total revenue and support	142,320,074	300,603	209,152,859	459,742	104,777,955	457,011,233
Expenditures:						
Program expenditures	95,105,730	-	-	-	25,576	95,131,306
Management and general	11,799,476	10,248	1,859,496	20	(133,615)	13,535,625
Fund raising	15,919,874	-	-	-	-	15,919,874
Change in value of split interest agreement obligation to life beneficiaries	(34,500)	(546,400)	(1,130,279)	(40,674)	(4,085,581)	(5,837,434)
Total expenditures	122,790,580	(536,152)	729,217	(40,654)	(4,193,620)	118,749,371
Change in net assets:						
Unrestricted	19,529,494	-	-	-	-	19,529,494
Temporarily restricted	-	836,755	208,423,642	-	-	209,260,397
Permanently restricted	-	-	-	500,396	108,971,575	109,471,971
Total change in net assets	19,529,494	836,755	208,423,642	500,396	108,971,575	338,261,862
Beginning net assets	42,222,796	3,182,226	721,831,175	20,738,525	506,319,113	1,294,293,835
Ending net assets	$ 61,752,290	$ 4,018,981	$ 930,254,817	$ 21,238,921	$ 615,290,688	$ 1,632,555,697

Indiana University
Statement of Cash Flows

(in thousands of dollars)

	Fiscal Year Ended	
	June 30, 2007	*June 30, 2006*
Cash flows from operating activities		
Student fees	$ 699,134	$ 645,823
Grants and contracts	435,828	406,362
Sales and services of educational activities	63,634	45,295
Auxiliary enterprise charges	346,335	322,550
Other operating receipts	166,716	170,669
Payments to employees	(1,442,928)	(1,382,434)
Payments to suppliers	(552,234)	(522,835)
Student financial aid	(98,850)	(94,313)
Student loans collected	12,376	16,367
Student loans issued	(15,630)	(17,268)
Net cash used in operating activities	**(385,619)**	**(409,784)**
Cash flows from noncapital financing activities		
State appropriations	543,414	528,615
Gifts and grants received for other than capital purposes	71,362	60,444
Direct lending receipts	413,093	391,208
Direct lending payments	(412,808)	(391,606)
Net cash provided by noncapital financing activities	**615,061**	**588,661**
Cash flows from capital and related financing activities		
Capital appropriations	10,467	10,467
Capital grants and gifts received	2,208	12,446
Purchase of capital assets	(216,797)	(168,651)
Proceeds from issuance of capital debt, including refunding activity	85,000	141,044
Principal payments on capital debt, including refunding activity	(39,219)	(35,081)
Principal paid on capital leases	(2,158)	(27,914)
Interest paid on capital debt and leases	(33,823)	(34,074)
Net cash used in capital and related financing activities	**(194,322)**	**(101,763)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	44,766	49,761
Investment income	44,025	29,630
Purchase of investments	(216,801)	(3,878)
Net cash provided (used) by investing activities	**(128,010)**	**75,513**
Net increase (decrease) in cash and cash equivalents	**(92,890)**	**152,627**
Cash and cash equivalents, beginning of year	476,676	324,049
Cash and cash equivalents, end of year	**$ 383,786**	**$ 476,676**

See accompanying notes to the financial statements.

(Continued from previous page)

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

	Fiscal Year Ended June 30, 2007	*Fiscal Year Ended June 30, 2006*
Operating loss	$ (485,437)	$ (503,059)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	111,860	109,224
Loss on disposal of capital assets	15,053	6,138
Changes in assets and liabilities:		
Accounts receivable	(4,583)	(8,102)
Inventories	1,410	255
Other assets	(7,042)	(1,666)
Notes receivable	(2,706)	(1,747)
Accounts payable and accrued liabilities	24,912	14,202
Deferred revenue	(39,789)	(27,487)
Assets held in custody for others	(276)	490
Other noncurrent liabilities	979	1,968
Net cash used in operating activities	**$ (385,619)**	**$ (409,784)**

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, 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 15 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 $87,133,383 and $79,220,046 to the university during fiscal years 2007 and 2006, 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 consist primarily of student loans. A pledge receivable is recorded at the time the pledge is measurable, probable of collection, and all applicable eligibility requirements have been met.

CAPITAL ASSETS: Capital assets are recorded at cost or, for contributed assets, at fair value at the date of acquisition. The university capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Capital assets also include land improvements and infrastructure costing in excess of $75,000. Buildings and building renovations that increase the useful life of the building and with cost of the lesser of $75,000 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 fiscal 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. Beginning in fiscal year 2007, the calculation of the salary related payments subject to this accrual include the employer's share of Social Security and Medicare taxes and the employer's contributions to pension plans.

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 nonexchange transactions such as gifts. 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.

RECLASSIFICATIONS: Certain reclassifications have been made to the prior year statements for comparative purposes 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 $7,043,600 and $9,900,349 at June 30, 2007 and 2006, respectively. The university had balances in excess of Federal Deposit Insurance Corporation limits in the amount of $6,409,374 and $9,618,095 at June 30, 2007 and 2006, respectively. These balances, deposited in approved financial institutions and in excess of the limits of coverage by federal deposit insurance were covered by the Public Deposit Insurance Fund, created to protect the public funds of the State of Indiana and its political subdivisions. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university does not have a formal deposit policy for custodial credit risk.

INVESTMENTS

The Trustees of Indiana University (trustees) have acknowledged responsibility as a fiduciary body for the invested assets of the university. Indiana Code 30-4-3.-3 *Indiana Prudent Investor Act* requires the trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust." The code also requires that management decisions be made "in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the trust." 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 is considered an external investment pool to the university. At June 30, 2007, all endowments held with the IU Foundation were invested in pooled funds.

At June 30, 2007 and 2006, the university had investments and deposits, including endowment funds, as shown below:

(in thousands of dollars)

Investment Type	*Fair Value* June 30, 2007	*Fair Value* June 30, 2006
Money market funds	$ 441,772	$ 483,147
External investment pools	210,819	170,818
Government mortgage-backed securities	180,669	83,130
Corporate bonds	116,564	124,040
Nongovernment backed C.M.O.s	76,354	14,379
Asset backed securities	72,612	71,895
Government bonds	57,437	66,675
Commercial mortgage-backed	42,198	25,333
Government agencies	29,612	16,470
Unit Trust Bonds	7,067	-
Municipal/provincial bonds	6,566	2,993
Index linked government bonds	5,847	3,779
Government issued commercial mortgage-backed	3,007	4,370
Real estate	2,295	2,295
Venture capital	2,174	1,191
Mutual funds	1,591	1,733
All other	(73,588)	(11,394)
Total	**$1,182,996**	**$1,060,854**

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, 2007:

(in thousands of dollars)

Investment Type	*Fair Value*	*Investment Maturities (in years)*			
	June 30, 2007	*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**

The university had investments with the following maturities at June 30, 2006:

(in thousands of dollars)

Investment Type	*Fair Value*	*Investment Maturities (in years)*			
	June 30, 2006	*Less than 1*	*1-5*	*6-10*	*More than 10*
Investments with a maturity date					
Corporate bonds	$ 124,040	$ 12,177	$ 82,395	$ 23,177	$ 6,291
Government mortgage-backed securities	83,130	425	4,449	37,195	41,061
Asset backed securities	71,894	1,538	47,115	13,346	9,895
Government bonds	66,675	562	37,075	26,607	2,431
Commercial mortgage-backed	25,333	-	1,068	-	24,265
Government agencies	16,470	1,495	9,406	3,440	2,129
Nongovernment backed C.M.O.s	14,379	-	758	287	13,334
Government issued commercial mortgage-backed	4,370	-	2,486	1,884	-
Index linked government bonds	3,779	-	-	2,052	1,727
Municipal/provincial bonds	2,993	1,993	1,000	-	-
	413,063	18,190	185,752	107,988	101,133
Investments with an undetermined maturity date					
Money market funds	483,147	483,147	-	-	-
External investment pools	170,818	170,818	-	-	-
Real estate	2,295	2,295	-	-	-
Mutual funds	1,734	1,734	-	-	-
Venture capital	1,191	1,191	-	-	-
All other	(11,394)	(11,394)	-	-	-
	647,791	647,791	-	-	-
Total	**$1,060,854**	**$665,981**	**$185,752**	**$107,988**	**$101,133**

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 Pooled Fixed Income Fund will be maintained at "A" or better, except for high-yield. The minimum quality at the time of purchase will be Baa/BBB or equivalent by at least one of the major rating services. For high-yield securities, the weighted average credit quality of the portfolio should be BBB- or better at all times. All securities in the Pooled Fixed Income Fund must be rated at the time of purchase at least B- by Standard & Poor's or B3 by Moody's Investors Service.

At June 30, 2007 and 2006, university investments had debt securities with associated credit ratings as shown below:

(in thousands of dollars)

Credit Quality Rating	*Fair Value June 30, 2007*	*Percentage of Total Pool*	*Fair Value June 30, 2006*	*Percentage of Total Pool*
AAA	$ 462,627	39.10%	$ 285,498	26.91%
AA	26,624	2.25%	22,782	2.15%
A	25,687	2.17%	55,746	5.26%
BBB	41,832	3.54%	40,563	3.82%
BB	13,683	1.16%	3,149	0.30%
B	8,946	0.76%	3,316	0.31%
CCC	1,276	0.11%	301	0.03%
Not Rated	602,321	50.91%	649,499	61.22%
Total	**$1,182,996**	**100.00%**	**$1,060,854**	**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 million per issuer and money market funds to $20 million per fund. The Pooled Equity Fund/Equity Trust Investment Pool portfolio cost is limited to no more than 10% investment in the equity securities of any one issuer and no purchase shall cause ownership of 5% or more of any one issue. No more than 25% of the Pooled Equity Fund/Equity Trust Investment Pool portfolio market value may be invested in any one industry. For the Pooled Fixed Income Fund/Bond Trust Investment Pool, excluding U.S. Treasuries and Agencies, no more than 5% of the portfolio market value may be invested in any one issue or issuer. No more than 25% of this portfolio market value may be invested in any one industry.

FOREIGN CURRENCY RISK

The university's investments are not exposed to foreign currency risk.

Note 3—Securities Lending

State statutes and policy of the Trustees of Indiana University permit the university to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The university's custodial bank manages the securities lending program and receives cash, U.S. government securities, or irrevocable letters of credit as collateral. Noncash collateral cannot be pledged or sold unless the borrower defaults. Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans," in which case the investment term matches the loan term. These loans can be terminated on demand by either lender or borrower. U.S. securities are lent versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Marking to market is performed 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. The short-term noncash collateral investment pool had a fair value of $6,908,171 and $2,193,455 at June 30, 2007 and 2006, respectively. Cash received as securities lending collateral was $97,984,937 and $93,548,981 at June 30, 2007 and 2006, respectively, and is recorded as an asset and corresponding liability on the university's Statement of Net Assets. At June 30, 2007 and 2006, the university had no aggregate credit risk exposure in this program.

Note 4—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2007 and 2006:

(in thousands of dollars)

	June 30, 2007	June 30, 2006
Student accounts	$ 36,623	$ 37,873
Auxiliary enterprises and other operating activities	48,352	53,729
State appropriations	24,096	15,667
Federal, state and other grants and contracts	25,121	17,021
Capital appropriations and gifts	374	5,550
Other	5,256	5,389
Current accounts receivable, gross	**139,822**	**135,229**
Less allowance for uncollectible accounts	(8,952)	(9,878)
Current accounts receivable, net	**130,870**	**125,351**
State appropriations	-	24,147
Auxiliary enterprises and other operating activities	2,426	-
Noncurrent accounts receivable	**$ 2,426**	**$ 24,147**

Note 5—Notes and Pledges Receivable

Notes and pledges receivable consisted of the following at June 30, 2007 and 2006:

(in thousands of dollars)

	June 30, 2007	June 30, 2006
Operating receivable	$ -	$ 47
Student loans receivable	73,776	71,023
Pledges receivable, net	8,618	8,319
Total notes and pledges receivable	**$82,394**	**$79,389**

During fiscal year 2003, the university entered into a lease purchase agreement with the IU Foundation to finance a portion of the cost of construction and equipping of 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 $15,176,741. 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 $8,618,316, as a pledge receivable of the university.

Note 6—Endowment Funds

Endowment funds are managed pursuant to an Investment Agency Agreement between the Trustees of Indiana University (trustees) and the IU Foundation which delegates investment management responsibilities to the IU Foundation, 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 30-2-12-8, *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, of net appreciation in the fair value of the endowment fund assets over historic dollar value.

Funds held by endowments, managed by the IU Foundation, 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 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. At June 30, 2007, all endowments held with the IU Foundation were invested in pooled funds. Fair value of the Indiana University Consolidated Fund totaled $159,707,961 and $134,104,348 at June 30, 2007 and 2006, respectively. Additional pooled funds totaled $44,451,426 and $29,942,171 at fair value at June 30, 2007 and 2006, 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 $2,173,772 and $1,190,670 at fair value at June 30, 2007 and 2006, 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 $6,659,158 and $5,580,871 at fair value at June 30, 2007 and 2006, respectively. The State of Indiana holds an endowment fund valued at $785,242 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, 2007 and 2006, totaled $2,295,000 and $2,295,000, respectively, at fair value.

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 $35,280,348 and $34,487,026 at June 30, 2007 and 2006, respectively. The trust principal is not included on the university's financial statements.

Note 7—Capital Assets

Fiscal year ended June 30, 2007

(in thousands of dollars)

	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**

(Continued from previous page)

Fiscal year ended June 30, 2006

(in thousands of dollars)

	Balance June 30, 2005	*Additions*	*Transfers*	*Retirements*	*Balance June 30, 2006*
Assets not being depreciated:					
Land	$ 46,913	$ 540	$ –	$ –	$ 47,453
Art & museum objects	58,913	6,686	–	–	65,599
Construction in progress	108,442	81,905	(56,653)	3	133,691
Total capital assets not being depreciated	214,268	89,131	(56,653)	3	246,743
Other capital assets:					
Infrastructure	132,844	1,532	434	–	134,810
Land improvements	17,301	574	328	–	18,203
Equipment	328,795	43,161	15,440	11,244	376,152
Library books	172,925	22,087	–	13,008	182,004
Buildings	2,196,004	29,038	40,451	11,844	2,253,649
Total other capital assets	2,847,869	96,392	56,653	36,096	2,964,818
Less accumulated depreciation:					
Infrastructure	103,636	3,442	–	–	107,078
Land improvements	3,632	926	–	–	4,558
Equipment	204,360	33,130	–	10,304	227,186
Library books	80,810	17,683	–	13,008	85,485
Buildings	900,138	54,043	–	6,587	947,594
Total accumulated depreciation, other capital assets	1,292,576	109,224	–	29,899	1,371,901
Capital assets, net	**$1,769,561**	**$ 76,299**	**$ –**	**$ 6,200**	**$1,839,660**

Note 8—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2007 and 2006:

(in thousands of dollars)

	June 30, 2007	*June 30, 2006*
Accrued payroll	$ 17,310	$ 15,561
Accrual for compensated absences	37,317	30,537
Interest payable	18,648	15,929
Vendor and other payables	123,867	107,509
Total accounts payable and accrued liabilities	**$197,142**	**$169,536**

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

Note 9—Noncurrent Liabilities

Noncurrent liability activity for the fiscal years ended June 30, 2007 and 2006 is summarized as follows:

Fiscal year ended June 30, 2007

(in thousands of dollars)

	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**

Fiscal year ended June 30, 2006

(in thousands of dollars)

	Balance June 30, 2005	*Additions*	*Reductions*	*Balance June 30, 2006*	*Current*
Bonds payable	$ 564,409	$ 86,044	$ 34,991	$ 615,462	$ 37,071
Notes payable	1,750	55,000	148	56,602	153
Capital lease obligations	32,819	7,395	27,907	12,307	1,526
Total bonds, notes, and capital leases payable	598,978	148,439	63,046	684,371	38,750
Other liabilities					
Deferred revenue	239,444	–	27,486	211,958	167,887
Assets held in custody for others	65,399	490	–	65,889	–
Compensated absences	38,838	20,437	18,659	40,616	30,537
Other	1,246	–	201	1,045	–
Total other liabilities	344,927	20,927	46,346	319,508	198,424
Total noncurrent liabilities	**$ 943,905**	**$169,366**	**$109,392**	**$1,003,879**	**$237,174**

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

Note 10—Bonds and Notes Payable

The university is authorized by acts of the Indiana General Assembly to issue bonds and notes for the purposes 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, 2007 and 2006 are $717,254,858 and $672,063,935, respectively. This includes principal outstanding at June 30, 2007 and 2006 for bonds issued under Indiana Code 20-12-6 of $468,433,682 and $500,979,485, respectively, which have an additional $62,789,875 and $68,079,189, respectively, in accreted value of outstanding capital appreciation bonds associated with them. The outstanding bond issues include both serial and term bonds with maturities extending to August 1, 2031.

A specific appropriation is received from the State of Indiana for the purpose of reimbursing the university for a portion of the debt service payments that are incurred on bonds issued under Indiana Code 20-12-6 for certain academic and student facilities. These funds, referred to as "fee replacement" appropriations, are received from the State of Indiana on a semi-annual basis.

Indiana Code 20-12-9.5 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. On June 26, 2007, the university issued Tax-Exempt Commercial Paper Notes (TECP), Series 2007A, as interim financing for certain approved facilities on various campuses. As of June 30, 2007, such funds have been used to partially finance the new athletics facilities on the Bloomington campus; the Multi-Disciplinary Science Building, Phase II on the Bloomington campus; the Research Institute III on the IUPUI campus; and student housing on the South Bend and Southeast campuses. TECP are notes payable that will be refinanced with some form of permanent financing at a future date. The interest rate and term of the notes are subject to market conditions on the maturity date of the notes. The number of days to maturity may not exceed 270 days, with the final maturity of the notes being June 1, 2017. A Standby Liquidity Support Agreement with JPMorgan Chase Bank, National Association, is in place for TECP Series 2007A. The liquidity support agreement is for a term of 364 days and has a stated expiration date of June 19, 2008. The liquidity support agreement is renewable and is based on an available commitment amount from the bank in excess of the maximum amount of principal and interest that may be outstanding.

As of June 30, 2007 and 2006, outstanding indebtedness from bonds and notes are shown in the following table:

(in thousands of dollars)

Bonding Authority	*Interest Rates*	*Final Maturity-Years Ended June 30*	*Principal Outstanding At June 30, 2007*	*Principal Outstanding At June 30, 2006*
Indiana Code 20-12-6 (21-34-6 *)	3.00 to 7.25%	2032	$468,434	$500,980
Indiana Code 20-12-7 (21-35-2 *)	6.25 to 6.60%	2009	815	1,190
Indiana Code 20-12-8 (21-35-3 *)	3.70 to 5.80%	2030	97,179	103,324
Indiana Code 20-12-9.5 (21-32-2 *)	3.74 to 3.75%	2017	140,000	55,000
Indiana Code 20-12-6-17 (21-34-10-7 *)	3.64%	2015	1,449	1,602
Subtotal bonds and notes payable			707,877	662,096
Add unamortized bond premium			15,181	16,245
Less deferred charges			(5,803)	(6,277)
Total bonds and notes payable			**$717,255**	**$672,064**

* *Recodified Indiana Code number, effective July 1, 2007*

As of June 30, 2007, the university has three series of variable or floating rate bonds outstanding. The Student Residence System Bonds, Series 1998, were issued in June of 1998 to finance the renovation of the Willkie Quadrangle on the Bloomington campus. The Facility Revenue Bonds, Series 2000, were issued in December of 2000 to finance the construction of parking facilities on various campuses. The Student Residence System Bonds, Series 2004A, were issued as floating rate bonds in conjunction with the Series 2004B fixed rate bonds, both of which were issued in June of 2004 to finance the Campus Apartments on the Riverwalk on the IUPUI campus. They are included in the previous table in the category titled Indiana Code 20-12-8. The variable interest rates are determined by the remarketing agents, based on prevailing market conditions. The variable interest is calculated on the basis of a 365 or 366-day year, for the actual number of days elapsed.

Fiscal years ended June 30, 2013–2017 reflect that TECP, Series 2005 and TECP, Series 2007A were issued with 10-year final maturities of December 1, 2015 and June 1, 2017, respectively. The university expects to provide long-term financing for these capital projects and repay the commercial paper through the issuance of bonds that will be payable from student fees, facility revenues or other sources of available funds. The permanent financing is anticipated to be for a term of 20 years or longer.

Principal and interest requirements to maturity for bonds and notes are as follows:

(in thousands of dollars)

Fiscal Year Ended June 30	*Bond Principal*	*Note Principal*	*Total Principal*	*Bond Interest*	*Note Interest*	*Total Interest*	*Total Payment*
2008	$ 39,763	$ 159	$ 39,922	$ 37,945	$ 5,296	$ 43,241	$ 83,163
2009	42,044	165	42,209	36,327	5,290	41,617	83,826
2010	40,715	171	40,886	36,813	5,284	42,097	82,983
2011	40,871	177	41,048	35,680	5,277	40,957	82,005
2012	28,009	184	28,193	27,458	5,271	32,729	60,922
2013-2017	151,017	140,593	291,610	90,402	22,456	112,858	404,468
2018-2022	142,044	-	142,044	36,326	-	36,326	178,370
2023-2027	52,735	-	52,735	11,476	-	11,476	64,211
2028-2032	29,230	-	29,230	2,661	-	2,661	31,891
Total	**$566,428**	**$141,449**	**$707,877**	**$315,088**	**$48,874**	**$363,962**	**$1,071,839**

Effective June 18, 2004, the university purchased an interest rate cap for the Indiana University Floating Rate Student Residence System Bonds, Series 2004A to limit the university's interest rate exposure to a maximum of 5.00% through the cap termination date of July 1, 2007. The university paid the counterparty a fixed payment of $57,000 in exchange for the right to receive monthly payments in the event that the Bond Market Association Municipal Swap Index (BMA) exceeds 5.00% for a defined period of time. The fair value of this cap was $0 and $51 at June 30, 2007 and 2006, respectively. The cap had notional amounts of $20,175,000 and $20,500,000 at June 30, 2007 and 2006, respectively, which declined based on the projected principal outstanding. The cap agreement includes standard termination events, such as failure to pay and bankruptcy. It also incorporates a provision whereby the counterparty must have a rating of 'A' or better from Moody's Investors Service and Standard & Poor's Credit Market Services. The agreement provides the counterparty with the right to assign the cap to another party; obtain a guaranty from another institution with the same or greater rating; or post collateral equal to the market value of the transaction, after obtaining the prior written consent of the university.

In prior years, the university has defeased the following 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, 2007, Building Facilities Fee Bonds, Series M, defeased by the university on October 1, 1985, have principal outstanding of $6,720,000, with a final maturity of July 1, 2010. As of June 30, 2007, Student Fee Bonds, Series M, which were partially defeased on December 14, 2004, have principal outstanding of $10,420,000, 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, 2007, have principal outstanding of $50,360,000, with a final maturity of August 1, 2011.

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. Indiana Code 20-12-5.5 permits the use of debt in the form of long-term capital lease-purchase agreements. The schedule below 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 $10,830,000. The true interest cost for the entire certificate issue was 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 (BRTC) on the IUPUI campus, and capitalized interest thereon.

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

(in thousands of dollars)

	Capital	*Operating*
2008	$2,096	$11,076
2009	1,675	6,375
2010	1,169	5,581
2011	975	5,326
2012	858	3,528
2013-2017	4,241	9,823
2018-2022	4,223	8,416
2023-2027	421	3,726
2028-2032	-	52
Total future minimum payments	15,658	$53,903
Less: interest	(4,146)	
Present value of future principal outstanding	**$11,512**	

Note 12—Federal Obligations Under Student Loan Programs

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 $536,569 and $3,308,640 for health professions and nursing loan programs for fiscal years ended June 30, 2007 and 2006, respectively.

Liabilities at June 30, 2007 and 2006 for loan programs were as follows:

(in thousands of dollars)

	June 30, 2007	*June 30, 2006*
Federal share of interest	$30,395	$29,258
Perkins loans	20,939	21,370
Health professions loans	13,855	14,345
Nursing loans	734	916
Assets held in custody for others	**$65,923**	**$65,889**

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

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

The university has four health care plans for full-time appointed employees, two of which are also available to retirees not eligible for Medicare. Three 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 years ending June 30, 2007 and 2006, and totals $24,691,208 and $21,656,576 at June 30, 2007 and 2006, respectively. In addition, a potential claims fluctuation liability at June 30, 2007 and 2006 of $9,876,483 and $8,622,630, respectively, has also been recorded.

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 17,799 and 17,530 active employees, as of June 30, 2007 and 2006, 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 is an agent multiple-employer public employee retirement system, which provides 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 6,916 and 6,913 active university employees covered by this retirement plan as of June 30, 2007 and 2006, 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 provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of a member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. 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. That report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Suite 700, 143 West Market Street, Indianapolis, IN 46204 or by calling (317) 233-4162.

Contributions made by the university totaled $17,623,256 and $15,626,947, for fiscal years ended June 30, 2007 and 2006, respectively. This represented a 5.5% and 4.5% university pension benefit contribution for fiscal years ended June 30, 2007 and 2006, respectively, and a 3% university contribution for the annuity savings account provisions each year.

Perf Funding Policy and Annual Pension Cost

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

The actuarial information represents the periods ended June 30, 2006 and 2005. 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 period is 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) an investment rate of return of 7.25%, and 2) a 1% cost of living increase 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, 2006	*Fiscal Year Ended June 30, 2005*
Annual required contribution	$ 10,292,548	$ 8,199,297
Interest on net pension obligation	(411,395)	(459,148)
Adjustment to annual required contribution	468,817	523,235
Annual pension cost	10,349,970	8,263,384
Contributions made	(9,398,859)	(7,604,720)
Increase in net pension obligation	951,111	658,664
Net pension obligation, beginning of year	(5,674,416)	(6,333,080)
Net pension obligation, end of year	**$ (4,723,305)**	**$ (5,674,416)**

[1]*Actuarial data for 2007 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, 2004	$ 7,028,546	160%	$(6,333,080)
June 30, 2005	8,263,384	92%	(5,674,416)
June 30, 2006	10,349,970	91%	(4,723,305)

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

Academic and Professional Staff Employees

Appointed academic and professional staff employees, with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. The university contributed $67,175,099 during fiscal year ended June 30, 2007 and $65,722,920 during fiscal year ended June 30, 2006 to TIAA-CREF for the IU Retirement Plan. The university contributed $15,301,540 during fiscal year ended June 30, 2007 and $13,824,681 during fiscal year ended June 30, 2006 to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,484 and 8,348 employees were directing university contributions to TIAA-CREF as of June 30, 2007 and 2006, respectively. In addition, 2,785 and 2,569 employees were directing university contributions to Fidelity Investments as of June 30, 2007 and 2006, respectively.

In addition to the above, the university provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above. There were 1,367 and 1,427 active employees on June 30, 2007 and 2006, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP); a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The university contributed $2,993,961 and $2,795,273 to IUSERP during fiscal years ended June 30, 2007 and 2006, respectively. The same class of employees hired prior to January 1, 1989, are covered by the 18/20 Retirement Plan, a combination of IRC 457(f) and 403(b) provisions. The 18/20 Retirement Plan allows this group of employees to retire as early as age 64, assuming 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, 2007, the university made total payments of $31,683,164 to 409 individuals receiving 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2006, the university made total payments of $29,585,217 to 383 individuals receiving 18/20 Retirement Plan payments.

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

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. That report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost

The university has established an early retirement plan for eligible employees to accommodate IRS requirements, and as authorized by the Trustees of Indiana University. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2007 and 2006, 99 and 102 employees, respectively, were eligible to participate. University contributions related to this plan totaled $1,831,680 and $1,768,622 for fiscal years ended June 30, 2007 and 2006, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution.

Liabilities are based on the projected accrued benefit actuarial cost method with a normal cost determined for participants who have not yet attained the assumed full retirement age. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable.

Actuarial assumptions include a 7% asset rate of return and future salary increases of 4% compounded annually.

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 dated March 9, 2006.

	Fiscal Year Ended June 30, 2007	*Fiscal Year Ended June 30, 2006*	*Fiscal Year Ended June 30, 2005*
Cost of benefits earned during the year	$ 984,562	$ 926,091	$ 896,866
Amortization of unfunded actuarial accrued liabilities	727,288	726,827	958,092
Interest	119,830	115,704	129,847
Funding policy contribution	**$1,831,680**	**$1,768,622**	**$1,984,805**

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

The university provides term life insurance benefits to former employees with retiree status. Retiree status is based on age and service at termination date. This benefit is underwritten through an insurance company. During fiscal years ended June 30, 2007 and 2006, the university contributed $645,864 and $533,146, respectively, to this coverage.

Note 15—Related Organizations

The university is a beneficiary of the Riley Children's Foundation. In 1922 this foundation presented the James Whitcomb Riley Hospital for Children to Indiana University. On May 2, 1996, the James Whitcomb Riley Hospital for Children separated from Indiana University and is now part of Clarian Health Partners, Inc. The university has been a major beneficiary of this foundation. Riley Children's Foundation net assets were $288,376,150 and $176,715,895 at June 30, 2007 and 2006, respectively. Riley Children's Foundation net assets are not included in the financial statements of the university.

Note 16—Functional Expenses

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

Fiscal year ended June 30, 2007

(in thousands of dollars)

	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	130,941	35	63,357	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	50,604	559	–	2,926	213,607
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	135,530	4,581	–	5,061	314,212
Depreciation	–	–	–	–	111,860	–	111,860
Total operating expenses	**$1,455,869**	**$52,409**	**$484,677**	**$98,061**	**$111,860**	**$36,231**	**$2,239,107**

Fiscal year ended June 30, 2006

(in thousands of dollars)

Functional Classification	*Natural Classification* Compensation & Benefits	Utilities	Supplies & Expenses	Scholarships & Fellowships	Depreciation	Travel	Total
Instruction	$ 607,267	$ 77	$ 66,504	$ 8,634	$ –	$ 7,808	$ 690,290
Research	149,874	19	77,845	4,132	–	8,536	240,406
Public service	83,294	332	53,529	3,737	–	4,158	145,050
Academic support	133,837	102	53,723	592	–	3,615	191,869
Student services	49,037	4	15,839	402	–	1,264	66,546
Institutional support	143,612	154	19,259	439	–	2,625	166,089
Physical plant	45,779	46,449	42,250	–	–	100	134,578
Scholarships & fellowships	8,735	–	433	71,109	–	81	80,358
Auxiliary enterprises	158,985	3,197	131,872	4,356	–	5,186	303,596
Depreciation	–	–	–	–	109,224	–	109,224
Total operating expenses	**$1,380,420**	**$50,334**	**$461,254**	**$93,401**	**$109,224**	**$33,373**	**$2,128,006**

Note 17—Segment Information

The university issues revenue bonds to finance certain auxiliary enterprise activities. The primary source of repayment of these bonds is net income of certain parking and housing operations.

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

Revenue bonds have been issued to finance certain auxiliary housing activities on the Bloomington and IUPUI campuses. These auxiliary entities provide housing primarily to students. Condensed financial statements for Parking and Housing Operations are as follows:

(in thousands of dollars)

Condensed Statement of Net Assets	Parking Operations		Housing Operations	
	June 30, 2007	*June 30, 2006*	*June 30, 2007*	*June 30, 2006*
Assets				
Current assets	$20,241	$19,084	$40,427	$28,577
Capital assets, net	61,803	63,367	120,171	119,531
Total Assets	**82,044**	**82,451**	**160,598**	**148,108**
Liabilities				
Current liabilities	4,576	4,722	4,891	2,374
Long-term liabilities	40,078	43,528	55,300	58,710
Total liabilities	**44,654**	**48,250**	**60,191**	**61,084**
Net Assets				
Invested in capital assets, net of related debt	18,520	16,344	64,777	61,642
Unrestricted	18,870	17,857	35,630	25,382
Total net assets	**$37,390**	**$34,201**	**$100,407**	**$87,024**

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	*Fiscal Year Ended June 30, 2007*	*Fiscal Year Ended June 30, 2006*	*Fiscal Year Ended June 30, 2007*	*Fiscal Year Ended June 30, 2006*
Operating revenues	$ 17,473	$16,633	$51,409	$49,632
Depreciation expense	(2,725)	(2,684)	(4,893)	(5,277)
Other operating expenses	(8,035)	(7,646)	(32,701)	(32,107)
Net operating income	6,713	6,303	13,815	12,248
Nonoperating revenues (expenses)				
Investment income	4	3	-	-
Interest expense	(2,274)	(2,047)	(2,398)	(2,213)
Increase in net assets	**4,443**	**4,259**	**11,417**	**10,035**
Net Assets				
Net assets, beginning of year	34,201	30,904	87,024	77,794
Net transfers	(1,254)	(962)	1,966	(805)
Net assets, end of year	**$37,390**	**$34,201**	**$100,407**	**$87,024**

(Continued from previous page)

Condensed Statement of Cash Flows

	Parking Operations		*Housing Operations*	
	Fiscal Year Ended June 30, 2007	*Fiscal Year Ended June 30, 2006*	*Fiscal Year Ended June 30, 2007*	*Fiscal Year Ended June 30, 2006*
Net cash provided (used) by:				
Operating activities	$ 9,714	$ 9,023	$20,818	$16,973
Capital and related financing activities	(7,389)	(7,029)	6,792	4,105
Investing activities	(1,120)	(496)	(15,263)	(9,038)
Net increase in cash	1,205	1,498	12,347	12,040
Beginning cash and cash equivalent balances	17,720	16,222	26,416	14,376
Ending cash and cash equivalent balances	**$18,925**	**$17,720**	**$38,763**	**$26,416**

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

Note 18—Commitments and Loss Contingencies

The university is party to an agreement in which it agreed to transfer ownership of certain equipment constructed by the university to Midwest Proton Radiotherapy Institute, LLC (MPRI). Capitalized costs of construction of the equipment and related factors will exceed the purchase terms of the agreement by an amount projected to be approximately $26.6 million. The transfer of the equipment will facilitate activities that will further the university's research and teaching mission. In addition, the university expects to realize operating revenue through agreements with the purchasing party and has plans to apply this revenue to the construction costs incurred. This transaction will be reflected in the university's financial statements when all terms of the agreement have been satisfied and are completed. In addition, Indiana University Research and Technology Corporation, a component unit of the university, is party to an agreement granting MPRI the use of the technology underlying certain other assets constructed by the university.

Construction Projects

As of June 30, 2007, contractual obligations for capital construction projects were $130,150,626.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2007 and 2006

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. Investments in alternative investments are carried at estimated fair value provided by the management of the respective alternative investment. A summary of investments as of June 30, 2007 and 2006 follows:

	2007					
	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Institutional co-mingled funds	$ 25,275,015	$ 77,769,081	$ 669,711	$ 293,865,790	$ 6,471,816	$ 161,118,256
Common, preferred and international stocks	20,609,357	62,943,006	2,168,747	251,978,872	5,601,027	140,587,482
Alternative investments	14,165,291	50,623,694	435,949	94,091,438	6,519,802	200,360,261
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
US Government and agency debt instruments	3,832,313	11,739,795	237,655	46,348,503	1,007,769	25,013,980
Corporate, municipal, and international bonds	3,750,377	11,354,298	585,255	46,527,919	1,054,851	27,525,294
Cash equivalents	3,391,127	2,507,262	62,333	9,764,999	217,842	5,465,823
Total investments	$ 71,167,477	$ 217,273,064	$ 5,175,043	$ 745,610,995	$ 20,916,371	$ 565,791,332

Indiana University Foundation
Notes to the Financial Statements
June 30, 2007 and 2006

	2006					
	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Institutional co-mingled funds	$ 19,799,636	$ 62,377,022	$ 407,875	$ 207,493,483	$ 6,787,760	$ 153,783,481
Common, preferred and international stocks	18,582,040	58,562,377	1,849,348	206,739,531	6,773,678	154,568,048
Alternative investments	7,209,910	24,095,033	157,554	46,818,340	3,265,749	92,530,618
Real estate	150,649	336,360	1,014,699	3,115,047	45,589	2,568,764
Mortgage securities	-0-	-0-	-0-	-0-	-0-	787,100
US Government and agency debt instruments	3,791,684	11,944,415	141,764	43,608,220	1,317,336	29,843,650
Corporate, municipal, and international bonds	5,068,741	15,913,378	570,123	57,718,045	1,865,913	42,675,197
Cash equivalents	1,742,241	3,263,220	154,640	25,340,750	393,851	8,932,340
Commercial paper	195,080	614,931	4,018	2,081,370	66,866	1,505,084
Total investments	$ 56,539,981	$ 177,106,736	$ 4,300,021	$ 592,914,786	$ 20,516,742	$ 487,194,282

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, 2007 and 2006 are summarized as follows:

	2007		2006	
	Notional Par	Net Fair Market Asset (Liability) Value	Notional Par	Net Fair Market Asset (Liability) Value
Futures:				
US Treasury Notes and Bonds	$ (40,500,000)	$ 105,571	$ (4,500,000)	$ (58,523)
Eurodollars	1,204,000,000	(808,050)	509,000,000	(1,222,600)
90 Day Libor	18,500,000	(21,735)		
Forwards:				
US Government Agencies	$ 10,502,289	$ 86,246	$ 22,500,000	$ 16,172

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 $1,276,447 and $506,950 in cash, and $1,610,468 and $621,115 of US Treasury Bills as collateral in a margin maintenance account as of June 30, 2007 and 2006, respectively. The related net gains generated were $797,280 and $656,055 for the years ended June 30, 2007 and 2006, respectively.

Indiana University Foundation
Notes to the Financial Statements
June 30, 2007 and 2006

Investment income including net gains (losses), net of outside investment management fees, for the years ended June 30, 2007 and 2006 consists of the following:

2007

	Unrestricted	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted 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)

2006

	Unrestricted	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted University
Dividend, interest and other investment income	$ 3,429,666	$ -0-	$ 11,906,988	$ -0-	$ 1,145
Net realized and unrealized gains (losses) on investments	9,455,584	-0-	102,035,140	(121,452)	76,809
Outside investment management fees	(314,254)	-0-	(4,031,949)	-0-	-0-
Total investment income, including net gains (losses), net of outside investment management fees	$ 12,570,996	$ -0-	$ 109,910,179	$ (121,452)	$ 77,954

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 changes in the values of investment securities will occur in the near term and that such changes 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, 2007 and 2006

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, 2007 and 2006 are as follows:

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

2006

	Temporarily Restricted		Permanently Restricted	
	Foundation	**University**	**Foundation**	**University**
Foundation operations	$ 3,182,226	$ -0-	$ 20,738,525	$ -0-
University Programs:				
Awards	-0-	9,879,639	-0-	5,081,215
Capital and capital improvements	-0-	15,642,008	-0-	1,455,117
Fellowships/lectureships	-0-	30,345,508	-0-	58,123,616
General endowments	-0-	246,280,492	-0-	101,300,551
Medical practice plans	-0-	40,143,461	-0-	-0-
Professorships/chairs	-0-	125,000,621	-0-	161,891,533
Research	-0-	29,638,281	-0-	13,927,602
Scholarships	-0-	174,335,063	-0-	162,192,227
Operations	-0-	50,566,102	-0-	2,347,252
Total	$ 3,182,226	$ 721,831,175	$ 20,738,525	$ 506,319,113

Indiana University Foundation
Notes to the Financial Statements
June 30, 2007 and 2006

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 $67,665 and $1,353,459 as of June 30, 2007 and 2006, respectively. Subsequent recovery of investment market value has reduced previously accrued deficits with unrestricted amounts reinstated of $1,285,794 and $2,848,084, respectively for the years ended June 30, 2007 and 2006.

The Foundation has borrowed $55,048,541 and $60,166,428 of temporarily restricted University cash and cash equivalents as of June 30, 2007 and 2006, 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 $8,381,531 and $9,396,121 as of June 30, 2007 and 2006, 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 6.00% to 6.26% and 5.59% to 8.00% as of June 30, 2007 and 2006, 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 39% in these types of investments. As of June 30, 2007 and 2006, the Foundation has entered into agreements with unfunded commitments of $217.9 million and $195.8 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, 2007 and 2006

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, 2007 and 2006, a summary of these expenditures follows:

		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	$ 7,972,374	$ 87,133,383	$ 95,105,730

Indiana University Foundation
Notes to the Financial Statements
June 30, 2007 and 2006

	2006		
Program expenditures:	**Foundation**	**Unrestricted University***	**Total**
Foundation programs:			
Real estate	$ 1,680,008	$ -0-	$ 1,680,008
Air transportation services	1,549,520	-0-	1,549,520
Student Foundation	478,427	-0-	478,427
Cultural center	144,911	-0-	144,911
Women's programs	30,415	-0-	30,415
Miscellaneous	59,548	-0-	59,548
	3,942,829	-0-	3,942,829
Grants and aid to the University:			
Operating support:			
University support	7,600,897	24,268,960	31,869,857
Student scholarship and financial aid	74,575	22,585,328	22,659,903
Faculty support	13,465	7,512,653	7,526,118
Faculty research	-0-	7,718,557	7,718,557
	7,688,937	62,085,498	69,774,435
Endowment and capital additions:			
Land, building and equipment purchases	107,070	16,045,652	16,152,722
Library and art acquisitions	312	1,088,896	1,089,208
	107,382	17,134,548	17,241,930
Total program expenditures	$ 11,739,148	$ 79,220,046	$ 90,959,194

*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, 2007 and 2006

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, 2007 and 2006 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 each year. As a part of the Foundation program operations, the Foundation received support from the University for the years ended June 30, 2007 and 2006, respectively, as follows: $5,264,951 and $2,147,728 of rental income for the lease of certain real estate; $1,245,009 and $1,063,364 for Telefund service fees related to its telephone fund raising operations; $1,070,036 and $1,143,248 for air transportation services; and $2,407,028 and $2,071,511 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, 2007 and 2006 follows:

	2007	2006
Contributions	$ 17,181,152	$ 50,538,801
Promises to Give	$ 50,454,088	$ 39,749,426

Expenditures

Investment Management Fee and Investments

As of June 30, 2007 and 2006, respectively, the Foundation owns limited partnership interests of $13,261,352 and $5,880,254 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, 2007 and 2006, these services total $562,045 and $717,674, 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 $925,327 and $250,047 for the years ended June 30, 2007 and 2006, 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.

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying basic financial statements of Indiana University, a component unit of the State of Indiana, as of and for the years ended June 30, 2007 and 2006. 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, 2007 and 2006, 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 November 9, 2007, 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

November 9, 2007

Trustees and Administrative Officers of Indiana University

The Trustees of Indiana University

for fiscal year ended June 30, 2007

Administrative Officers

for fiscal year ended June 30, 2007

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/fy2007.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
http://www.indiana.edu/~pagr/

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

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

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

Grants
Office of the Vice Provost for Research
530 E. Kirkwood Avenue, Carmichael Center L03
Bloomington, IN 47408
http://www.research.indiana.edu/leadership/index.html

Athletics
Athletics Publicity Office
Assembly Hall
1001 East 17th Street
Indiana University
Bloomington, IN 47405-1101
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 *2006-07 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
Andrea Roberts, External Reporting and Compliance

The following members of Financial Management Services assisted in the preparation of the *2006-07 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
Hal Jankowski, Auxiliary Accountant
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

Photography: Chris Meyer, University Marketing; Cathy Cochard, Phyllis Taylor, and Jan Young, FMS
Architectural sketches: University Architect's Office

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APPENDIX C

DEFINITIONS

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

"Account" means any of the accounts established pursuant to the Amended Indenture or the Eighteenth Supplemental Indenture.

"ACH" means the Automated Clearing House Network.

"Act" means Indiana Code 21-34-6 through 21-34-10, as amended.

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

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

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

"Authorized Denominations" for Series S Bonds means $5,000 and any integral multiple thereof.

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

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

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

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

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

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

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

“Eighteenth Supplemental Indenture” means the Eighteenth Supplemental Indenture between the University and the Trustee, dated as of February 1, 2008.

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

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

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

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

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

"Indenture" means the Amended Indenture as supplemented by the Eighteenth Supplemental Indenture and as otherwise supplemented and amended from time to time.

"Interest Payment Date" means August 1, 2008, and each February 1 and August 1 thereafter.

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

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

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

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

(a) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

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

(c) Bonds in lieu of which others have been authenticated under the Indenture.

"Parity Bonds" means the Indiana University Student Fee Bonds, Series H, Series I, Series J, Series K, Series L, Series M, Series N, Series O, Series P, Series Q, Series R and Series S, and all additional Bonds which are secured by a pledge, assignment and grant of and first lien and security interest against the Pledged Funds (except as otherwise provided in regard to the Reserve Fund).

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

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

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

(2) Escrowed Municipals;

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

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

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

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

"Pledged Funds" means Student Fees and the University's right to receive the same, the proceeds thereof, and all Funds created under the Indenture which are held by the Trustee (except that the Series S Bonds will, and certain Additional Bonds hereafter issued may, have no claim on the Reserve Fund or any other reserve fund).

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

"Projects" means all or any portion of the acquisition, erection, construction, reconstruction, improvement, rehabilitation, remodeling, repairing, completion, extension, enlargement, equipping and furnishing of the following buildings, structures, improvements and facilities, the utilities, other services and appurtenances related thereto, and the land required therefor, and the equipment, located on various campuses of the University:

Indianapolis Campus - Campus Center;

Bloomington Campus - Cyber-Infrastructure Building-Data Center;

Bloomington Campus - Multi-Disciplinary Science Building-Phase II;

Ft. Wayne Campus - Medical Education Center;

Bloomington Campus - Central Heating Plant Renovation;

South Bend Campus - Land Acquisition.

"Rebate Agreement" means, the Construction and Rebate Agreement between the University and the Trustee dated as of February 1, 2008.

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

"Registrar" means the Trustee when acting as such in accordance with the Eighteenth Supplemental Indenture.

"Reserve Fund" means the reserve fund established by the Indenture. The Series S Bonds (and the Series N Bonds, Series O Bonds, Series P Bonds, Series Q and Series R Bonds) are not secured by the Reserve Fund.

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

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

"Resolutions" means the resolutions adopted and approved by the Board of Trustees of the University on September 21, 2007, and the Finance and Audit Committee thereof on January 15, 2008, authorizing, among other things, the issuance of the Series S Bonds.

"Series N Bonds" means the University's Outstanding Indiana University Student Fee Bonds, Series N, dated June 1, 2001, and issued in the original principal amount of $103,880,000.

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

"Series P Bonds" means the University's Outstanding Indiana University Student Fee Bonds, Series P, dated December 14, 2004, and issued in the original principal amount of $93,920,000.

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

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

"Series S Bond" or "Series S Bonds" means one or more of the Indiana University Student Fee Bonds, Series S, authorized to be issued in the principal amount of $88,345,000 pursuant to the terms and conditions of the Eighteenth Supplemental Indenture.

"Series S Interest Account" means the Account so designated which is created in the Sinking Fund pursuant to the Eighteenth Supplemental Indenture.

"Series S Principal Account" means the Account so designated which is created in the Sinking Fund pursuant to the Eighteenth Supplemental Indenture.

"Series S Project Fund" means the Fund so designated which is created pursuant to the Eighteenth Supplemental Indenture.

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

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

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

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

"Trustee" means The Bank of New York Trust Company, N.A., a national banking association with a corporate trust office located in Indianapolis, Indiana, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successor may be a party and any successor trustee serving under the Indenture.

"Undertaking" means the Continuing Disclosure Supplement, dated as of February 21, 2008, to a Continuing Disclosure Undertaking Agreement dated September 6, 1995, and a Continuing Disclosure Undertaking Agreement dated May 6, 1998, as heretofore supplemented, all between the University and The Bank of New York Trust Company, N.A., as counterparty.

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

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF INDENTURE

Flow of Funds

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

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

The Trustee will establish and maintain, so long as any of the Series S Bonds are Outstanding, a separate account within the Sinking Fund to be known as the "Series S Interest Account." Moneys on deposit in the Series S Interest Account will be used by the Trustee to pay interest on the Series S Bonds whenever such interest is due and payable. So long as any Series S Bonds are Outstanding, the Trustee will, on the first day of each February and August (or if such first day is not a Business Day, then on the first Business Day preceding such day), beginning August 1, 2008, deposit in the Series S Interest Account from moneys received from the University for such purpose an amount equal to the difference, if any, between (a) the interest due on the Series S Bonds on said date and (b) the amount of moneys then on deposit in the Series S Interest Account available to pay such interest.

The Trustee will establish and maintain, so long as any of the Series S Bonds are Outstanding, a separate account within the Sinking Fund to be known as the "Series S Principal Account". All payments by the University on the Series S Bonds in respect to principal will be deposited by the Trustee in the Series S Principal Account. So long as any Series S Bonds are Outstanding, the Trustee will, on August 1, 2008, and on the first day of each August thereafter (or, if such first day is not a Business Day, then on the first Business Day preceding such day), deposit in the Series S Principal Account from any moneys received by the Trustee from the University an amount equal to the difference, if any, between (a) the principal amount of Series S Bonds maturing on said date and (b) the amount of moneys then on deposit in the Series S Principal Account available to pay principal of Series S Bonds so maturing. Moneys deposited in the Series S Principal Account will be used by the Trustee to pay Series S Bonds at maturity or upon mandatory sinking fund redemption.

Reserve Fund. **The Reserve Fund will not be available to pay the principal of or the interest on the Series S Bonds (or the Outstanding Series N Bonds, Series O Bonds, Series P Bonds, Series Q or Series R Bonds).** With respect to other Bonds Outstanding, the University will maintain with the Trustee a separate fund known as the "Reserve Fund" pursuant to the Indenture. On the date of issuance of the Series S Bonds and subject to certain permitted withdrawals described below, the Trustee will hold Reserve Fund Credit Instruments, cash and investments in the Reserve Fund in satisfaction on an aggregate basis of the Reserve Fund Requirement for the Outstanding Indiana University Student Fee Bonds which are secured by the Reserve Fund. In connection with the issuance of Additional Bonds, the University may deposit in the Reserve Fund an amount sufficient to maintain the fund equal to the Reserve Fund Requirement. However, the University may issue Additional Bonds that are not subject to the Reserve Fund Requirement (including the Series S Bonds), and for which the Reserve Fund will be unavailable with respect to the payment of the principal of and the interest on such Additional Bonds. Such deposit requirement, if any, in connection with the issuance of Additional Bonds may also be satisfied by providing in a Supplemental Indenture that 50% of the increase in the Reserve Fund Requirement is deposited upon delivery of the Additional Bonds and that the remainder may be provided for by annual deposits commencing on the October 1 following the date on which said Additional Bonds are issued and continuing on or before each October 1 thereafter for three succeeding years or such lesser number of years specified in the Supplemental Indenture. Said deposits, if any, must be in the amounts provided for in the Supplemental Indenture.

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

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

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

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

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

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

TECP Refunding Account. Moneys in the "TECP Refunding Account" will be used to defease a portion of the University's Tax Exempt Commercial Paper, Series 2005, and the University's 2007 Tax Exempt Commercial Paper, Series A, and to repay the same on February 28, 2008. The TECP Refunding Account will be held in escrow by the Trustee as agent of the Issuing and Paying Agent for the University's Tax Exempt Commercial Paper, Series 2005, and the University's 2007 Tax Exempt Commercial Paper, Series A, for purposes of paying the University's Tax Exempt Commercial Paper, Series 2005, and the University's 2007 Tax Exempt Commercial Paper, Series A.

Projects Accounts. A portion of the proceeds of the Series S Bonds, together with other University funds from the Project Construction Fund under the Indenture, will be deposited into the (i) "Indianapolis Campus Center

Account"; (ii) "Cyber Infrastructure Building Account"; (iii) "Multi-Disciplinary Science Building Phase II Account"; (iv) "Ft. Wayne Medical Education Center Account"; (v) "Central Heating Plant Account"; and (vi) "South Bend Land Acquisition Account". Amounts in each such Account will be applied only toward the cost of (or to reimburse the University for payment theretofore made by it on account of) any portion of the Projects for which such Account is created. Upon the completion of any portion of the Projects for which any such Account is created, any balance of moneys in such Account will, at the option of the University, be (i) applied to pay other costs associated with such portion of the Projects, (ii) transferred to the Series S Interest Account of the Sinking Fund to pay interest on the Series S Bonds or (iii) deposited in the Rebate Fund.

Expense Account. A portion of the proceeds of the Series S Bonds will be deposited into the "Expense Account". Moneys on deposit in the Expense Account will be applied to pay the costs of issuing the Series S Bonds. Any moneys remaining in the Expense Account will be transferred, at the option of the University, to either the Earnings Account, the Series S Interest Account or The Trustees of Indiana University Series S Rebate Fund (the "Rebate Fund") created under the Rebate Agreement.

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

Additional Security

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

Partial Release of Lien on Student Fees

The University, from time to time, has the right to incur other indebtedness pursuant to provisions of Indiana law other than the Act, which indebtedness may be payable from a particular fee or fees or other charges made to students attending Indiana University, which fees or charges may be Student Fees. The University and the Trustee may, from time to time, enter into a Supplemental Indenture for the purpose of releasing said fees or charges from the lien of the Indenture and excluding said fees or charges constituting Student Fees from the definition of Student Fees in the Indenture, if actual Student Fees received by the University during the preceding Fiscal Year, less those fees and charges to be removed from the definition of Student Fees and from the lien of the Indenture, are equal to or greater than five times Maximum Annual Debt Service to become due in the succeeding Fiscal Years for the payment of principal and interest charges on Parity Bonds Outstanding.

Covenants of University

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

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

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

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

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

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

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

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

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

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

Other Indebtedness

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

Investments

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

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

Defaults and Remedies

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

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

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

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

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

Upon any Event of Default, the Trustee may, in its discretion, and, upon the written request of the holders of 25% in principal amount of the Bonds then Outstanding or the provider of any Credit Support Instrument or Reserve Fund Credit Instrument and upon being indemnified to its satisfaction by the party requesting such action, will proceed to protect and enforce its rights and the rights of the holders of the Bonds by suit or suits at law or in equity, whether for the specific performance of any covenant or agreement in the Indenture, or in execution or aid of any power granted in the Indenture, or for the enforcement of any other proper legal or equitable remedy as the Trustee, being advised by the counsel, deems most effectual to protect and enforce its rights and the rights of such holders of the Bonds.

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

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

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

Defeasance

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

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

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

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

Any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for five years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the said date when such Bonds become due and payable, will, at the written request of the University, be repaid by the Trustee or Paying Agent to the University, as its absolute property and free from trust, and the Trustee and Paying Agent will thereupon be released and discharged with respect thereto and the Bondholders must look only to the University for the payment of such Bonds.

Supplemental Indentures; Amendments

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

(a) to restrict the issue and the purposes of issue of Additional Bonds under the Indenture by imposing additional conditions and restrictions as long as the same do not impair the security afforded by the Indenture;

(b) to add to the covenants and agreements of the University in the Indenture or to surrender any right or power in the Indenture reserved to or conferred upon the University;

(c) to describe the terms of a new series of Bonds;

(d) to make such provisions in regard to matters or questions arising under the Indenture as may be necessary or desirable but not inconsistent with the Indenture;

(e) otherwise to modify any of the provisions of the Indenture or to relieve the University from any of the obligations, conditions or restrictions contained in the Indenture; provided that no such modification will be or become operative or effective or in any manner impair any rights of the Bondholders or the Trustee (except as otherwise provided or permitted pursuant to the Indenture), while any Bonds of any series issued prior to the execution of such Supplemental Indenture remain outstanding; and provided further that such Supplemental Indenture is specifically referred to in the text of all Bonds of any series issued after the execution of such Supplemental Indenture; and provided, also, that the Trustee may in its uncontrolled discretion decline to enter into any such Supplemental Indenture which in its opinion may not afford adequate protection to the Trustee when such Supplemental Indenture becomes operative;

(f) to add to the powers, duties or obligations of the Trustee or to impose requirements with respect to the qualification or disqualification of any bank or trust company to act as Trustee under the Indenture;

(g) to further restrict investments to be made by the Trustee or University;

(h) to grant additional rights to the provider of any Credit Support Instrument or Reserve Fund Credit Instrument, including, if desired, the creation of a special reserve therefor;

(i) to provide for partial release of the lien on and security interest in Student Fees as provided in the Indenture; or

(j) for any other purpose not prohibited by the terms of the Indenture and which do not impair the security afforded thereby, or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision in the Indenture or in any Supplemental Indenture.

The holders of not less than 51% in principal amount of the Bonds Outstanding, or 51% in principal amount of any series of Bonds Outstanding affected by such modification or alteration, will have the power to authorize any modification or alteration of the Indenture or any Supplemental Indentures. However, no such modification or alteration may (i) affect the University's obligation to pay the debt service on the Bonds, including the Series S Bonds, in respect to date of payment, place of payment and amount, (ii) give to any Bond or Bonds secured by the Indenture any preference over any other Bond or Bonds so secured in a manner inconsistent with the terms of the original issuance thereof, (iii) authorize the creation of any lien upon any of the property the income of which is or will, in the future, be payable to the Trustee under the Indenture, (iv) deprive any Bondholder of the security afforded by the Indenture, (v) reduce the percentage of principal amount of Bonds required by the provisions of the Indenture for any action, or (vi) extend the maturity or interest payments, reduce the interest rate, change the formula for determining the variable interest rate or reduce the maturity amount of any Bond without the consent of each Bondholder so affected.

Proposed Amendment

An amendment to the Indenture has been proposed, which is described below. Such amendment will be effective only if and when the requisite level of consent from Bondholders is received, as described below.

On and after the effective date of the amendment, there would, notwithstanding any other terms of the Indenture, be no Reserve Fund Requirement for any Bonds and no Bonds would have any claim on the Reserve Fund, except to the extent provided in the Supplemental Indenture pursuant to which such Bonds are issued. The Eighteenth Supplemental Indenture provides that there will be no Reserve Fund Requirement for the Series S Bonds and no Series S Bonds will have any claim on the Reserve Fund. This amendment will be effective upon the consent of the holders of not less than 100% in principal amount (or in regard to certain Bonds, the Compounded Amount or the Compounded Accreted Value) of Bonds then Outstanding. Assuming that currently outstanding Bonds are not redeemed or defeased prior to maturity, it is anticipated that the requisite level of consent for this amendment will be obtained on August 1, 2020. The requisite level of consent for such amendment may be obtained earlier in the event of redemption of currently Outstanding Bonds prior to maturity.

Purchasers of the Series S Bonds and all Bonds issued subsequent thereto will be deemed to have consented to such amendment upon purchase of and payment for such Bonds. Purchasers of the Series L, Series M, Series N, Series O, Series P, Series Q and Series R Bonds have previously been or will be deemed to have consented to such amendment by virtue of their purchase of the applicable series of Bonds.

No Recourse

The Indenture and the Bonds are made, executed and negotiated under and pursuant to the terms and conditions of the Act. No recourse may be had for the performance of any covenant contained in the Indenture nor for the payment of the principal of or premium, if any, or interest on the Bonds upon the State of Indiana or the University, or upon the property or funds of the State of Indiana or the University, except from the Pledged Funds to the extent and in the manner authorized by law and the Indenture.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or any Bond may be had against any officer, trustee, employee, agent or representative of the University, and no personal liability whatever will attach to or be incurred by the present or any future officer, trustee, employee, agent or representative of the University by reason of any of the obligations, covenants or agreements contained in the Indenture or any of the Bonds, or be implied therefrom.

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APPENDIX E

FORM OF OPINIONS OF CO-BOND COUNSEL

February 21, 2008

The Trustees of Indiana University
Bloomington, Indiana

J.P. Morgan Securities Inc.,
as Representative of the Underwriters
Chicago, Illinois

The Bank of New York Trust Company, N.A., as
Trustee, Indianapolis, Indiana

Re: Indiana University Student Fee Bonds, Series S (the "Bonds") issued by The Trustees of Indiana University (the "Corporation") pursuant to a Trust Indenture dated as of October 1, 1985, as heretofore supplemented and amended, and as further supplemented by a Eighteenth Supplemental Indenture dated as of February 1, 2008 (collectively, the "Indenture"), to The Bank of New York Trust Company, N.A., Indianapolis, Indiana, as trustee (the "Trustee"); Principal amount $88,345,000

Ladies and Gentlemen:

We have examined a transcript of the proceedings had by the Corporation relative to the authorization, issuance and sale of the Bonds to provide funds for the financing of the Projects (as defined in the Indenture), as certified by the Secretary or Assistant Secretary of the Corporation, and the Indenture as executed and delivered for the purpose of securing the payment of the Bonds and the interest thereon.

We have relied upon a certified transcript of proceedings and other certificates and representations of the Corporation, including the tax covenants and representations (the "Tax Covenants"), and have not undertaken to verify any facts by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

1. The Indenture has been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Corporation, enforceable in accordance with its terms.

2. The Bonds have been duly authorized, executed and issued and are the valid and binding obligations of the Corporation, enforceable in accordance with their terms.

3. Under existing laws, judicial decisions, regulations and rulings, the interest on the Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Bonds from state income taxes.

4. Under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Corporation with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

It is to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is also to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to the valid exercise of the constitutional powers of the State of Indiana and the United States of America.

Very truly yours,

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