INDIANA UNIVERSITY FOUNDATION

June 30, 2022

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Independent Auditor's Report

Board of Directors
Indiana University Foundation

Opinion
We have audited the financial statements of the Indiana University Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Indianapolis, Indiana
September 30, 2022

Indiana University Foundation

Statements of Financial Position
June 30, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Cash and cash equivalents	$ 104,712	$ 135,445
Collateral under securities lending agreement	16,066	60,905
Receivables	18,584	18,175
Due from brokers	9,034	29,178
Promises to give, net	267,240	256,882
Investments and other assets	3,665,070	3,487,270
Property, plant and equipment, net	66,051	59,198
Total assets	$ 4,146,757	$ 4,047,053
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other	$ 8,123	$ 7,192
Due to brokers	23,512	46,130
Collateral under securities lending agreement	16,066	60,905
Bonds payable, net	149,159	-
Split interest agreement obligations	43,634	44,399
Assets held for the University	470,864	307,029
Assets held for University affiliates	42,927	43,119
Total liabilities	754,285	508,774
Net assets (deficit):		
Without donor restrictions	(2,863)	148,938
With donor restrictions	3,395,335	3,389,341
Total net assets	3,392,472	3,538,279
Total liabilities and net assets	$ 4,146,757	$ 4,047,053

See notes to financial statements.

Indiana University Foundation

Statement of Activities
Year Ended June 30, 2022
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions of cash and other financial assets	$ 2,145	$ 184,678	$ 186,823
Contributed nonfinancial assets	19	6,656	6,675
Investment income, net	1,306	6,282	7,588
Management/administrative fees	26,764	(22,940)	3,824
Grants	-	5,422	5,422
Other income	14,164	2,155	16,319
Development service fees from the University	4,416	-	4,416
Change in value of split interest agreements	(1,115)	(8,481)	(9,596)
Net assets released from restrictions	167,778	(167,778)	-
Total support and other revenue	215,477	5,994	221,471
Expenses:			
Grants and aid to the University	322,666	-	322,666
Management and general	23,948	-	23,948
Fundraising	20,664	-	20,664
Total expenses	367,278	-	367,278
Change in net assets	(151,801)	5,994	(145,807)
Net assets, beginning of year	148,938	3,389,341	3,538,279
Net assets (deficit), end of year	$ (2,863)	$ 3,395,335	$ 3,392,472

See notes to financial statements.

Indiana University Foundation

Statement of Activities
Year Ended June 30, 2021
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions of cash and other financial assets	$ 9,849	$ 155,385	$ 165,234
Contributed nonfinancial assets	-	400	400
Investment income, net	43,881	788,329	832,210
Management/administrative fees	24,131	(20,758)	3,373
Grants	-	10,979	10,979
Other income	9,736	4,737	14,473
Development service fees from the University	4,416	-	4,416
Change in value of split interest agreements	362	18,735	19,097
Net assets released from restrictions	161,577	(161,577)	-
Total support and other revenue	253,952	796,230	1,050,182
Expenses:			
Grants and aid to the University	165,521	-	165,521
Management and general	17,522	-	17,522
Fundraising	21,964	-	21,964
Total expenses	205,007	-	205,007
Change in net assets	48,945	796,230	845,175
Net assets, beginning of year	99,993	2,593,111	2,693,104
Net assets, end of year	$ 148,938	$ 3,389,341	$ 3,538,279

See notes to financial statements.

Indiana University Foundation

Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In Thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (145,807)**	$ 845,175
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation	**2,609**	2,729
Amortization	**21**	-
Change in discount on promises to give	**6,115**	(4,651)
Change in allowance on promises to give	**1,701**	(4,978)
Gain on investments	**(5,641)**	(933,221)
Change in value of split interest agreements	**(828)**	(824)
Contribution of beneficial interests in irrevocable trusts	**(11,086)**	-
Change in value of beneficial interests in irrevocable trusts	**3**	(477)
(Gain) loss on sale of property, plant and equipment	**1,057**	(3,590)
Contributions restricted for long-term purposes,		
including permanent endowments, charitable		
remainder trusts and annuities	**(73,803)**	(97,181)
(Increase) decrease in:		
Receivables, other assets, and due from brokers	**19,735**	25,945
Promises to give	**(18,174)**	42,979
Increase (decrease) in:		
Accounts payable, other, and due to brokers	**(21,635)**	(8,279)
Assets held for the University and University affiliates	**163,643**	91,507
Net cash used in operating activities	**(82,090)**	(44,866)
Cash flows from investing activities:		
Proceeds from sales of investments	**1,261,919**	1,033,287
Purchase of investments	**(1,422,995)**	(985,271)
Proceeds from sales of property, plant and equipment	**2,711**	241
Purchase of property, plant and equipment	**(13,230)**	(1,127)
Net cash (used in) provided by investing activities	**(171,595)**	47,130
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes,		
including:		
Permanent endowments	**72,732**	85,528
Charitable remainder trusts and annuities	**1,071**	3,170
Proceeds from bond issuance (net of issuance costs of $841		
and amortization of $21)	**149,138**	-
Proceeds from split interest agreement obligations	**4,580**	7,779
Payments on split interest agreement obligations	**(4,517)**	(4,134)
Principal payments on debt	**(52)**	(50)
Net cash provided by financing activities	**222,952**	92,293
Net (decrease) increase in cash and cash equivalents	**(30,733)**	94,557
Cash and cash equivalents, beginning of year	**135,445**	40,888
Cash and cash equivalents, end of year	**$ 104,712**	$ 135,445

See notes to financial statements.

Note 1. Organization and Operations and Significant Accounting Policies

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 assets and to make expenditures to or for the benefit of Indiana University, including its regional campuses and associated entities (such as the Purdue University schools housed at the Indiana University-Purdue University Indianapolis campus, the Indiana University Building Corporation, Riley Children's Foundation, the Indiana University Research & Technology Corporation, Indiana University Health, the Indiana University Alumni Association and certain medical practice plans), herein referred to as the University.

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

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

Summary of significant accounting policies:

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

Basis of presentation: The Foundation follows the accounting guidance on financial statements of not-for-profit organizations, which establishes standards for general-purpose external financial statements issued by not-for-profit organizations. It requires that net assets and related support and revenue, expenses, gains and losses be classified into two classes of net assets—without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support the Foundation and the University as determined by the board. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in perpetual charitable trusts held by external trustees.

When a donor's restriction is satisfied by using the resources in the manner specified by the donor and/or the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Cash and cash equivalents: The Foundation considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. For these short-term instruments, cost approximates the fair market value. The cash balance exceeds federally insured limits. However, the Foundation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

Receivables: Receivables primarily consist of life insurance receivables and other miscellaneous receivables. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for receivables.

Due from brokers: The amount shown as due from brokers represents a receivable from the broker for unsettled sales of securities as of June 30, 2022 and 2021.

Promises to give: Promises to give are recorded at present value, less an allowance for uncollectible amounts, to reserve against future bad debt losses. Management utilizes a rate consistent with the level of risk associated with a donor to discount promises to give. Management estimates the uncollectable reserve annually based on past due pledge installments and evaluates the estimate against actual results to determine reliability of the estimate.

Investments and other assets: Investments are carried at fair value. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold.

In connection with its investing and hedging activities, the Foundation enters into transactions, directly and indirectly through positions held by the underlying investment entities, with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the statements of financial position.

The Foundation's direct and indirect investments 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 in the financial statements.

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Also included in investments are beneficial interests in irrevocable trusts of $14,539 and $3,456 at June 30, 2022 and 2021, respectively. The Foundation is a beneficiary of several trusts maintained by independent trustees. The trusts' assets are to be held in perpetuity. The Foundation expects to receive annual distributions of its share of the trusts' annual income. These distributions are recorded in investment income, net on the statements of activities. The gifts are recognized as contributions in the financial statements. Assets are recorded at the fair market value of the Foundation's interests in the trusts. The change in value of the beneficial interest in irrevocable trusts is recorded as gain or (loss) with donor restrictions in the statements of activities and totaled ($3) and $477 for fiscal years ended June 30, 2022 and 2021, respectively. The investment income (distributions received) from beneficial interests in irrevocable trusts totaled $415 and $186 for fiscal years 2022 and 2021, respectively.

Other assets consist of investments whose fair values are not readily determinable. These assets are recorded at historical cost and are evaluated annually for impairment. There is $32,082 and $32,882 of other assets reflected in investments and other assets in the statements of financial position as of June 30, 2022 and 2021, respectively. The underlying investment entity's redemption frequency is considered to be a long-term commitment and there is no redemption notice period. There were no unfunded commitments for these assets at June 30, 2022 and 2021, respectively.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Foundation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Foundation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Foundation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Foundation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Foundation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Foundation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Alternative investments: The managers of underlying investment entities in which the Foundation invests may utilize derivative instruments with off-balance-sheet risk. The Foundation's exposure to risk is limited to the amount of its investment.

Property, plant and equipment: Property, plant and equipment are recorded at cost at the date of acquisition. Donated property, plant and equipment are recorded at fair value at the date of contribution. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Purchased real estate held to benefit the University is recorded as property, plant and equipment and is depreciated over its estimated useful life, generally 20 years.

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Management reviews long-lived assets for possible impairment if there is a significant event that detrimentally affects operations. The primary financial indicator used by the Foundation to assess the recoverability of its long-lived assets held and used is undiscounted future cash flows from operations. The amount of impairment, if any, is measured based on estimated fair value or projected future cash flows using a discount rate reflecting the Foundation's average cost of funds. Management has not identified any triggering events during the years ended June 30, 2022 and 2021.

Split interest agreement obligations: The Foundation has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The Foundation records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries.

Assets held for the University and University affiliates: The Foundation invests and administers net assets owned by the University and its affiliates under a management and custodial agreement. These are reflected as liabilities on the statements of financial position.

Reclassification of donor intent: At times, the Foundation receives requests by donors or their designees to change the use for which their original gift was intended. These requests are reviewed by the Foundation for approval. Approved changes, depending on the donors' requests, may result in the reclassification of net assets between the without donor restrictions and with donor restrictions net asset classes. Reclassifications of donor intent of $1,521 and $(1,654) are reflected in the statements of activities as net assets released from restrictions for the years ended June 30, 2022 and 2021, respectively.

Revenue recognition: The Foundation follows Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods or services to customers.

Revenues within the scope of Topic 606 consist primarily of management and administrative fees, development service fees from the University, grant income and certain other income resulting primarily from reimbursements from the University for the cost of direct support of certain fundraising activities and receipts from various program operations.

The Foundation has no significant costs that are capitalized to obtain or to fulfill a contract with a customer. Performance obligations for the revenue streams noted above are satisfied at a point in time, and revenue is recognized as performance obligations are met. These revenue streams do not include significant financing components and there are no significant consideration amounts that are variable.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Grants: Private research grants are received from donors to support the University's research programs. Research grants are distributed in accordance with the grant by the account manager. Grants recorded as contributions are irrevocable, voluntary nonreciprocal transfers of assets held, administered and maintained for investment purposes at the Foundation.

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Management/administrative fees: A fee is charged to accounts within each net asset class for which the Foundation manages investments and other assets. This management fee is charged based on the market value and type of investments and other assets managed. These fees are used for the administration of the Foundation's management and fundraising operations.

Other income: Other income reported in the statements of activities is comprised primarily of the following: reimbursements from the University for the cost of direct support of certain fundraising activities; receipts from various program operations, including real estate, the Student Foundation, women's programs and other miscellaneous programs; and the change in the cash surrender value of life insurance policies. The income with donor restrictions is comprised primarily of amounts received from the University with donor related restrictions for activities and events and the change in the cash surrender value of life insurance policies.

Allocation between program and support functions: The financial statements report certain categories of expenses that are attributable to one or more program or supporting function of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, overhead and fundraising costs, which are allocated based on regularly recurring surveys of managers' time and effort.

Income taxes: The Foundation is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), except for income taxes on unrelated business income that are not significant. Contributions to the Foundation are deductible under Section 170(b)(1)(A)(iv) of the Code.

Accounting Standards Codification (ASC) 740-10, Accounting for Uncertainty in Income Taxes, prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As of June 30, 2022 and 2021, the Foundation has no uncertain tax positions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently issued accounting standards: In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's June 30, 2023, financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

Note 1. Organization and Operations and Significant Accounting Policies (Continued)

Recently issued accounting standards, adopted: The Foundation adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Foundation adopted this guidance on its financial statements for both periods presented. The adoption of ASU 2020-07 did not have a material impact on the financial statements.

Reclassifications: Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation, with no impact to previously reported net assets or changes in net assets.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through September 30, 2022, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund the purpose for which the donor established the endowment. In addition, the Foundation receives support without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses and grants and aid to the University expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that expenditures to or for the benefit of the University and to support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

(In Thousands)

Note 2. Liquidity and Availability (Continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2022 and 2021:

	2022	2021
Total assets at year-end	$ 4,146,757	$ 4,047,053
Less non-financial assets:		
Property, plant and equipment, net	(66,051)	(59,198)
	4,080,706	3,987,855
Less amounts not available to be used within one year:		
Investments encumbered by donor restriction	(2,181,115)	(2,210,457)
Assets designated by the Board	(113,328)	(88,976)
Annual spending policy distribution for encumbered investments	93,774	95,034
Agency assets	(513,791)	(350,148)
Collateral under security lending agreements	(16,066)	(60,905)
Promises to give for donor restricted gifts or due after one year, net	(265,946)	(249,979)
Receivables and other assets due after one year	(14,341)	(14,229)
Financial assets not available to be used within one year	(3,010,813)	(2,879,660)
Financial assets available to meet general expenditures within one year	$ 1,069,893	$ 1,108,195

Note 3. Promises to Give

A summary of promises to give as of June 30, 2022 and 2021, follows:

	2022	2021
Promises to give	$ 334,249	$ 316,075
Allowance	(20,399)	(18,698)
Discount	(46,610)	(40,495)
	$ 267,240	$ 256,882

Promises to give are due in the following periods:

	2022	2021
Promises to give, net, due in:		
One year or less	$ 18,106	$ 19,646
Between one year and five years	147,699	123,985
More than five years	101,435	113,251
	$ 267,240	$ 256,882

Discount rates used to present value promises to give range between 0.6% and 6.0%.

Note 4. Fair Value Measurement and Investments

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

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

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

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

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

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

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

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Foundation’s accounting policies regarding the recognition of transfers between levels of the fair value hierarchy. During the fiscal years ended June 30, 2022 and 2021, no such transfers were made.

Note 4. Fair Value Measurement and Investments (Continued)

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

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

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

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

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments and differences could be material.

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

Beneficial interest in irrevocable trusts: Beneficial interest in irrevocable trusts are valued at the proportional share of interest at the closing price reported on the active or observable market on which the trusts' underlying individual securities are traded, as reported to the Foundation by the trustees.

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

(In Thousands)

Note 4. Fair Value Measurement and Investments (Continued)

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

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value **	Total
Assets:					
Investments:					
Domestic equities	$ 395,930	$ -	$ -	$ 150,993	$ 546,923
International equities	281,524	-	-	345,303	626,827
Domestic fixed income	144,333	104,782	-	59,271	308,386
International fixed income	19,072	22,438	-	2,346	43,856
Real estate	9,634	-	18,833	-	28,467
Cash equivalents	31,629	-	-	-	31,629
Alternative investments:					
Hedged equity funds	-	-	-	3,904	3,904
Absolute return funds	-	-	-	348,876	348,876
Venture capital	-	-	-	551,818	551,818
Buyouts	-	-	-	415,016	415,016
Distressed/special situations	-	-	-	109,903	109,903
Real estate	-	-	-	282,791	282,791
Alternative fixed income	-	-	-	134,607	134,607
Natural resources	-	-	-	185,446	185,446
	882,122	127,220	18,833	2,590,274	3,618,449
Beneficial interest in irrevocable trusts	-	-	14,539	-	14,539
	$ 882,122	$ 127,220	$ 33,372	$ 2,590,274	3,632,988
Other assets (see Note 1)					32,082
Total investments and other assets	$ 882,122	$ 127,220	$ 33,372	$ 2,590,274	$ 3,665,070
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 43,634	$ -	$ 43,634

(In Thousands)

Note 4. Fair Value Measurement and Investments (Continued)

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value **	Total
Assets:					
Investments:					
Domestic equities	$ 556,478	$ -	$ -	$ 123,745	$ 680,223
International equities	351,064	-	-	303,595	654,659
Domestic fixed income	122,508	65,104	-	67,262	254,874
International fixed income	32,028	16,163	-	4,408	52,599
Real estate	11,372	-	19,678	-	31,050
Cash equivalents	40,899	2,198	-	-	43,097
Alternative investments:					
Hedged equity funds	-	-	-	4,023	4,023
Absolute return funds	-	-	-	345,239	345,239
Venture capital	-	-	-	464,801	464,801
Buyouts	-	-	-	363,816	363,816
Distressed/special situations	-	-	-	91,357	91,357
Real estate	-	-	-	217,462	217,462
Alternative fixed income	-	-	-	96,827	96,827
Natural resources	-	-	-	150,905	150,905
	1,114,349	83,465	19,678	2,233,440	3,450,932
Beneficial interest in irrevocable trusts	-	-	3,456	-	3,456
	$ 1,114,349	$ 83,465	$ 23,134	$ 2,233,440	3,454,388
Other assets (see Note 1)					32,882
Total investments and other assets	$ 1,114,349	$ 83,465	$ 23,134	$ 2,233,440	$ 3,487,270
Liabilities:					
Split interest agreement obligations	$ -	$ -	$ 44,399	$ -	$ 44,399
Derivatives*	$ 79	$ 15,690	$ -	$ -	$ 15,769

* Derivatives are presented in due to brokers and due from brokers on the statement of financial position.

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

(In Thousands)

Note 4. Fair Value Measurement and Investments (Continued)

As of June 30, 2022 and 2021, the Foundation had $741,597 and $754,882, respectively, of unfunded capital commitments to various alternative investments, which have no specific capital call dates and such capital calls are at the discretion of the alternative investment fund managers. Management believes most of the commitments will be called in the next one to five years.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which at least one significant unobservable input is used in the valuation model. The Foundation purchased Level 3 investments of $4,483 and $0 during the fiscal years ended June 30, 2022 and 2021, respectively.

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

	2022	2021
Beginning balance	$ 44,399	$ 41,578
Liability portion of charitable gifts received	4,580	7,779
Payments to annuitants	(4,517)	(4,134)
Change in the present value of split interest obligations	(828)	(824)
	$ 43,634	$ 44,399

The table below presents the Foundation's ability to redeem investments valued at net asset value or its equivalent as of June 30, 2022 and 2021, and includes the underlying investment entities' redemption frequency and redemption notice period. The table also includes a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2022 and 2021:

Investment Category and Strategy	2022 Fair Value	2022 Unfunded Commitments	2021 Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities[a]	$ 150,993	$ -	$ 123,745	quarterly, annually	30-60 days
International equities[b]	345,303	-	303,595	monthly	30 days
Domestic fixed income[c]	59,271	-	67,262	monthly, bimonthly, quarterly	30-45 days
International fixed income[d]	2,346	-	4,408	monthly, bimonthly, quarterly	30-45 days
Hedge equity[e]	3,904	-	4,023	monthly, quarterly, **** semi-annually, annually	30-90 days
Absolute return[f]	348,876	7,765	345,239	monthly, quarterly, **** semi-annually, annually	30-90 days
Venture capital[g]	551,818	183,871	464,801	long-term commitment ***	none
Buyouts[h]	415,016	252,974	363,816	long-term commitment ***	none
Distressed / special situation[i]	109,903	66,399	91,357	long-term commitment ***	none
Real estate[j]	282,791	161,403	217,462	long-term commitment ***	none
Alternative fixed income[k]	134,607	13,929	96,827	long-term commitment ***	none
Natural resources[l]	185,446	55,256	150,905	long-term commitment ***	none
	$ 2,590,274	$ 741,597	$ 2,233,440		

Note 4. Fair Value Measurement and Investments (Continued)

*** The nature of this investment class is that distributions are received through liquidations of the underlying assets of the underlying investment fund and expected to occur over the remaining life (ranging from one to 10n years). These underlying funds generally hold investments that are illiquid in the short term but are expected to be liquid over the long run. Distributions from these underlying funds are at the discretion of the underlying fund manager.

**** As of June 30, 2022, 45% of the total Marketable Alternative Investments (Hedged equity funds and Absolute return funds) could be redeemed in zero to six months, an additional 23% could be redeemed between seven to 12 months, 24% could be redeemed between 13 to 24 months and 1% could be redeemed between 25 to 36 months. The remaining 7% is designated as illiquid investments.

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

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

[c] This category includes investments that are primarily in both long-term and short-term fixed income securities located in the United States. Management of the investments has the ability to make individual short positions; however, the overall fund position is net long. There were no restricted investments as of June 30, 2022.

[d] This category includes investments that are primarily in both long-term and short-term fixed income securities located in economies outside of the United States. Management of the investments has the ability to make individual short positions; however, the overall fund position is net long. There were no restricted investments as of June 30, 2022.

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

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

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

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

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

(In Thousands)

Note 4. Fair Value Measurement and Investments (Continued)

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

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

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

In instances in which an underlying investment fund has invested in securities that have less liquidity, such investments may be held in a side pocket. Generally, side pockets are illiquid with no active market. The fair value of the Foundation's investment in underlying funds which are designated as side pocketed was $81,652 and $26,751 as of June 30, 2022 and 2021, respectively.

The following table summarizes the qualitative information about certain of the Foundation's Level 3 inputs as of June 30, 2022 and 2021:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges
Real estate investments, 2022	$ 18,833	Market approach	Comparable transactions	N/A
Real estate investments, 2021	$ 19,678	Market approach	Comparable transactions	N/A

Note 5. Derivatives

The Foundation authorizes certain investment managers to use a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement, which are exchange traded or executed over the counter (OTC). These instruments are used to (1) manage exposure to certain markets and asset classes, (2) manage exposure to interest rate fluctuations, (3) simulate long or short positions that are unavailable in the market, or to reduce credit risk where exposure exists. The Foundation records derivative securities at fair value. These instruments may include foreign exchange contracts, swaps, options, futures and forward contracts. The Foundation values derivatives that are traded on an exchange at their last reported sales price. The Foundation values derivative contracts that are centrally cleared or traded on the OTC market using: market price quotations, counterparty quotations, broker or dealer quotations, or pricing models that take into account the terms of the contract (including the notional amount and contract maturity) and inputs such as interest rates, yield curves, prepayment rates, credit spreads, recovery rates, currency exchange rates, volatility, correlation of inputs and changes in the fair value of the referenced asset. Derivative instruments, such as futures contracts, are classified as Level 1 in the fair value hierarchy presented in Note 4. Derivative instruments, such as interest rate swaps, option contracts, forward contracts, credit default swaps and foreign exchange contracts are classified as Level 2 in the fair value hierarchy presented in Note 4. The Foundation records derivative securities on the trade date. Gains and losses from derivative contracts are included in investment income in the statements of activities. The Foundation generally records a realized gain or loss on the expiration, termination or settlement of a derivative contract in the statements of activities.

(In Thousands)

Note 5. Derivatives (Continued)

The following table identifies the fair value amounts of derivative contracts included in the statements of financial position, categorized by type of contract and underlying primary risk exposure as of June 30, 2022 and 2021. Balances are presented on a gross basis, before application of the effect of counterparty and collateral netting. These financial instruments are executed with creditworthy banks and brokerage firms, are subject to enforceable master netting arrangements or similar agreement and are presented at fair value on a net basis in the statements of financial position.

	Derivative Assets		Derivative Liabilities	
	2022	2021	2022	2021
Type of Contract	Fair Value	Fair Value	Fair Value	Fair Value
Interest rate risk:				
Interest rate swaps	$ -	$ 464	$ -	$ (561)
Option contracts	-	412	-	(478)
Forward contracts	-	15,561	-	(7)
Credit risk:				
Credit default swaps	-	244	-	-
Foreign exchange risk:				
Foreign exchange contracts	60	6,076	(60)	(6,021)
Equity price risk:				
Futures contracts	-	301	-	(222)
Total derivatives	$ 60	$ 23,058	$ (60)	$ (7,289)

The Foundation considers the notional amounts at June 30, 2022 and 2021, categorized by primary underlying risk, to be representative of the volume of its derivative activities during the year ended June 30, 2022 and 2021.

	2022		2021	
Primary underlying risk	Fair Value	Notional Value	Fair Value	Notional Value
Interest rate risk:				
Interest rate swaps	$ -	$ -	$ (97)	$ 330
Option contracts	-	-	(66)	(29)
Forward contracts	-	-	15,554	15,560
Credit risk:				
Credit default swaps	-	-	244	180
Foreign exchange risk:				
Foreign exchange contracts	-	-	55	-
Equity price risk:				
Futures contracts	-	-	79	9,061
Total derivatives	$ -	$ -	$ 15,769	$ 25,102

(In Thousands)

Note 6. Securities Lending

The Foundation has a securities lending agreement and guaranty agreement with The Bank of New York Mellon Corporation (BNY). BNY may lend up to $110,000 of the stocks and bonds for which it holds as custodian to borrowers under terms of participation in a securities lending program, and acts as agent and administrator for the program. The securities lending agreement requires that loans are collateralized at all times in an amount equal to at least 102% of the market value of any loaned securities at the time of the loan, plus accrued interest.

The Foundation receives compensation in the form of fees, and earns interest on the cash collateral. The amount of fees depends on a number of factors, including the type of security and length of the loan. The Foundation continues to receive interest payments or dividends on the securities loaned during the borrowing period. The Foundation has the right under the terms of the securities lending agreement to recall the securities from the borrower on demand.

As of June 30, 2022 and 2021, the Foundation had loaned securities that were collateralized by cash equivalents and short duration fixed income instruments. The cash collateral is invested by BNY in accordance with approved investment guidelines. Those guidelines require the cash collateral to be invested in readily marketable, high-quality, short-term obligations; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty, or otherwise may not generate sufficient interest to support the costs associated with securities lending. The Foundation could also experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although the Foundation is indemnified from this risk by contract with the securities lending agent. As of June 30, 2022 and 2021, the market value of the securities on loan and payable on collateral due to broker totaled $16,066 and $60,905, respectively.

The Foundation receives cash as collateral in return for securities lent as part of the securities lending program. The collateral is invested in the Collateral Portfolio (a securities lending trust subject to Rule 2a-7 under the 1940 Act). The schedules of investments for the Foundation include the particular cash collateral holdings as of June 30, 2022 and 2021. The interest income earned by the Foundation on investments of cash collateral received from borrowers for the securities loaned to them (securities lending income) is reflected in the Foundation's statements of activities. Interest income earned on collateral investments and recognized by the Foundation during the years ended June 30, 2022 and 2021, was $41 and $70, respectively.

The table below outlines the gross obligations for secured borrowings by the type of collateral pledged at June 30:

	2022	2021
Cash collateral:		
U.S. equities	$ 9,418	$ 36,810
Non-U.S. equities	183	1,710
Non-cash collateral:		
U.S. equities	5,142	21,906
Non-U.S. equities	1,323	479
	$ 16,066	$ 60,905

(In Thousands)

Note 7. Split Interest Agreements

A summary of assets held and the obligations related to split interest agreements as of June 30, 2022 and 2021, follows:

	2022	2021
Assets (included in investments):		
Charitable remainder trusts and other	$ 41,942	$ 38,990
Charitable gift annuities	38,267	42,395
	$ 80,209	$ 81,385
Liabilities—split interest agreement obligations	$ 43,634	$ 44,399

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the Foundation. The Foundation maintains reserves and a surplus of such reserves in an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts. These reserves shall not be applied for the payment of debts and obligations of the Foundation or for any purpose other than payment of the annuity benefits.

Note 8. Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2022 and 2021, follows:

	2022	2021
Land and buildings	$ 96,836	$ 90,206
Information and technology equipment	2,194	2,282
Other	2,527	2,704
	101,557	95,192
Less accumulated depreciation	(35,506)	(35,994)
	$ 66,051	$ 59,198

Note 9. Bonds Payable

In October 2021, the Foundation issued 30-year taxable bonds in the amount of $150,000 pursuant to a Bond Trust Indenture between the Foundation and The Bank of New York Mellon Trust Company, N.A. as trustee. The proceeds were used to provide unrestricted support to the University. The bonds, which mature October 1, 2051, bear interest at a fixed rate of 2.82%, payable semi-annually. Interest expense paid to bond holders totaled $1,974 for the fiscal year ended June 30, 2022. The rate structure and amortization schedule for retirement of the bonds is set forth in an agreement between the Foundation and Wells Fargo Securities, LLC, which purchased and holds the bonds.

Bonds payable outstanding at June 30, 2022 are $150,000. Unamortized bond issuance costs of $841 are net of accumulated amortization of $21 at June 30, 2022. Amortization expense was $21 for the fiscal year ended June 30, 2022.

(In Thousands)

Note 10. Endowments

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the board to function as endowments, and consists of 7,346 and 7,085 individual funds as of June 30, 2022 and 2021, respectively. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board has interpreted the State of Indiana's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds and providing for intergenerational equity. This value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment funds is classified as net assets with donor restrictions until donor stipulations are fulfilled, and those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The following tables present the Foundation's endowment composition, changes and net asset classifications as of and for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,954,181	$ 2,954,181
Board-designated endowment	75,656	-	75,656
	$ 75,656	$ 2,954,181	$ 3,029,837

(In Thousands)

Note 10. Endowments (Continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,946,718	$ 2,946,718
Board-designated endowment	54,483	-	54,483
	$ 54,483	$ 2,946,718	$ 3,001,201

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	$ 54,483	$ 2,946,718	$ 3,001,201
Investment income	232	11,535	11,767
Contributions and other revenue	2,447	104,681	107,128
Appropriation of endowment assets for expenditure	(1,227)	(108,753)	(109,980)
Transfers to board-designated endowment funds	19,721	-	19,721
	$ 75,656	$ 2,954,181	$ 3,029,837

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	$ 38,794	$ 2,146,494	$ 2,185,288
Investment loss	15,402	756,177	771,579
Contributions and other revenue	722	141,802	142,524
Appropriation of endowment assets for expenditure	(2,480)	(97,755)	(100,235)
Transfers to board-designated endowment funds	2,045	-	2,045
	$ 54,483	$ 2,946,718	$ 3,001,201

Net assets include nonexpendable and expendable assets related to donor gifts and assets held in perpetuity or held in trust with explicit time and/or purpose restrictions. These can be held either for the benefit of the Foundation or for the benefit of the University.

Return objectives and risk parameters: The primary investment objective of the Foundation's asset management program is to achieve an annualized total return (net of fees and expenses) equal to or greater than the rate of inflation, in order to maintain the purchasing power of those assets. The assets are managed in a manner that will not only meet the primary investment objective, but also seek growth above the objective and attempt to limit volatility for year-to-year spending.

Note 10. Endowments (Continued)

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Under this policy, endowment assets are invested in a manner that is intended to yield a long-term rate of return that exceeds the sum of the distribution rate, inflation and administrative fees of the endowment, while assuming a prudent level of investment risk. Actual results may not be sufficient to achieve this over some shorter time frames.

Strategies employed for achieving investment objectives: To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. Endowment assets will be invested in the Foundation's Pooled Long-Term Fund. Operating funds will typically be invested in the Pooled Short-Term Fund. An additional option is the Pooled Intermediate-Term Fund, which will fill a need for those operating funds that are due to be spent six months to two years from the time the cash is received. The Foundation's Investment Committee understands the long-term nature of the endowment assets and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection. Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Pooled Long-Term Fund, but is a residual to the investment process and used to meet the short-term liquidity needs.

Relationship of spending policy to investment objectives: The Foundation determines the method to be used to make endowment distributions to the University. In establishing a method, the Foundation considers the expected long-term rate of return on the investment of the Foundation's endowment funds. Over the long term, the Foundation expects the spending policy to allow the endowment to grow at a sufficient rate to maintain the purchasing power of the endowment assets over time, sometimes referred to as intergenerational equity, as well as to provide additional real growth through new gifts. Effective July 1, 2011, the Foundation determined that distributions will continue to be based upon a 12-quarter rolling average of the market value of the Pooled Long-Term Fund, but constrained by inflation bands that will limit the distributions to fall within two times inflation on the growth side and inflation on the down side, based on what was distributed in the previous year. The inflation factor is calculated as a rolling five-year average of the Consumer Price Index. Additionally, the distribution rate is 4.5% in fiscal year 2021 to 2022. The expectation is that these inflation bands will prevent distributions from fluctuating widely. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

Underwater endowments: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed. At June 30, 2022 and 2021, there were 202 and 17 accounts of $36,499 and $2,112, respectively, with a current fair value of $34,962 and $1,921, respectively. The total underwater amount of $1,537 and $191 as of June 30, 2022 and 2021, respectively, resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions of donor-restricted endowment funds and continued appropriation for their related programs, which have been deemed prudent by the Board.

(In Thousands)

Note 11. Board Designated Net Assets

The Indiana University Foundation's Board of Directors has designated from net assets without donor restrictions $113,328 and $88,976 as of June 30, 2022 and 2021, respectively, net assets for the following purposes:

	2022	2021
Quasi-endowments:		
Foundation	$ 68,486	$ 47,720
University	7,170	6,763
Reserves and encumbrances	37,672	34,493
	$ 113,328	$ 88,976

Note 12. Net Assets With Donor Restrictions

The income generated from restricted net assets is used in accordance with the donors' time and/or purpose restrictions. Foundation operations' and University programs' donor restricted assets listed in the following table include $2,241,354 and $2,235,963 of donor restricted assets held in perpetuity for the years ended June 30, 2022 and 2021, respectively. A summary of net assets with donor restrictions and the nature of the related donor-imposed restrictions as of June 30 are as follows:

	2022	2021
Foundation operations	$ 32,269	$ 39,097
University programs:		
Awards	66,430	62,654
Capital and capital improvements	152,749	155,129
Fellowships/lectureships	212,166	199,410
General endowments	849,433	848,152
Medical practice plans	32,095	36,168
Operations	117,792	116,865
Professorships/chairs	806,736	796,434
Research	147,697	140,259
Scholarships	977,968	995,173
	$ 3,395,335	$ 3,389,341

(In Thousands)

Note 13. Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Land and buildings	$ 6,188	Student scholarships; Faculty support and research	Purpose restrictions	Land and buildings are valued using appraisals prepared by appraisal specialists.
Works of art	400	Athletics capital improvement	Purpose restrictions	Works of art are valued using appraisals prepared by appraisal specialists.
Miscellaneous contributions in-kind	19	Fundraising	No associated donor restrictions	Contributions are valued using reasonable market value estimates provided by donors on the date of the contribution.
Miscellaneous contributions in-kind	68	University support	Purpose restrictions	Contributions are valued using reasonable market value estimates provided by donors on the date of the contribution.
	$ 6,675			

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Land and Buildings	$ 396	University support	Purpose restrictions	Land and buildings are valued using appraisals prepared by appraisal specialists.
Miscellaneous contributions in-kind	3	University support	Purpose restrictions	Contributions are valued using reasonable market value estimates provided by donors on the date of the contribution.
	$ 399			

Note 14. Retirement Plan

The Foundation maintains the Indiana University Foundation Section 403(b) Annuity Plan (the Plan), a defined contribution retirement plan available to all eligible employees. The Foundation Investment Retirement Committee administers the operation of the Plan. Benefits to retired participants are based on the value of the individual retirement account at the date of retirement. The total contribution is 10% of the participant’s annual salary up to the social security wage base and 15% on annual salary in excess of the social security wage base. The Foundation’s policy is to fund retirement costs related to the Plan as incurred. Retirement expense related to this plan amounted to $2,105 and $2,124 for the years ended June 30, 2022 and 2021, respectively.

(In Thousands)

Note 15. Functional Classification of Expenditures

Program expenditures include support for Foundation and University programs. For the years ended June 30, 2022 and 2021, a summary of these expenditures is as follows:

2022	Grants and Aid to the University	Management and General	Fundraising	Total
University activities:				
University support	$ 195,508	$ -	$ -	$ 195,508
Student scholarships and financial aid	59,635	-	-	59,635
Land, building and equipment purchases	11,795	-	-	11,795
Faculty support	42,072	-	-	42,072
Faculty research	7,577	-	-	7,577
Foundation activities:				
Salaries and benefits	1,300	9,707	14,444	25,451
Depreciation	2,502	77	30	2,609
Insurance	122	97	15	234
Interest	262	2,197	855	3,314
Maintenance	919	673	405	1,997
Miscellaneous	1	1	2	4
Office expenses	12	438	912	1,362
Professional fees	324	2,067	1,139	3,530
Technology	22	601	1,583	2,206
Training and recruitment	-	241	154	395
Travel and representation	612	653	1,063	2,328
Utilities	3	231	62	296
Bad debts	-	6,965	-	6,965
	$ 322,666	$ 23,948	$ 20,664	$ 367,278

(In Thousands)

Note 15. Functional Classification of Expenditures (Continued)

2021	Grants and Aid to the University	Management and General	Fundraising	Total
University activities:				
University support	$ 33,639	$ -	$ -	$ 33,639
Student scholarships and financial aid	60,003	-	-	60,003
Land, building and equipment purchases	20,300	-	-	20,300
Faculty support	42,031	-	-	42,031
Faculty research	4,324	-	-	4,324
Foundation activities:				
Salaries and benefits	962	9,170	15,738	25,870
Depreciation	2,317	115	297	2,729
Insurance	13	284	506	803
Interest	190	-	-	190
Maintenance	1,020	834	1,290	3,144
Miscellaneous	191	66	164	421
Office expenses	8	381	803	1,192
Professional fees	186	833	700	1,719
Technology	16	98	1,982	2,096
Training and recruitment	-	96	106	202
Travel and representation	294	192	375	861
Utilities	7	237	3	247
Bad debts	20	5,216	-	5,236
	$ 165,521	$ 17,522	$ 21,964	$ 205,007

(In Thousands)

Note 16. 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 statements of activities. Related parties include affiliates, Board of Directors, management and members of their immediate families.

Support and other revenue:

Fees and 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, 2022 and 2021, the University provided development services support to the Foundation in the amount of $4,416, respectively. As a part of the Foundation's program operations, the Foundation received support from the University for each of the years ended June 30, 2022 and 2021, respectively, as follows: $6,267 and $5,926 of rental income for the lease of certain real estate, and $26,764 and $24,131 in management/administrative fees, of which $3,139 and $2,740 were received on custodial assets held for the University or University affiliates.

Contributions and promises to give: The Foundation includes related-party contributions in the statements of activities and outstanding related-party promises to give in the statements of financial position.

A summary of related-party contributions and promises to give as of and for the years ended June 30, 2022 and 2021, follows:

	2022	2021
Contributions	$ 3,724	$ 11,431
Promises to give	28,648	66,353

Expenditures:

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 $3,426 and $249 for the years ended June 30, 2022 and 2021, respectively. The Foundation used the $150,000 proceeds from the sale of the bonds to provide unrestricted support to the University for the year ended June 30, 2022. 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.

Note 17. Cash Flows Information

Supplemental information relative to the statements of cash flows for the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 2,233	$ 188
Non-cash investing and financing activities:		
Gifts of securities, life insurance, and real and personal property at fair value	$ 35,296	$ 19,648